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REVITALIZING THE AMERICAN ECONOMY: A STRATEGY FOR THE 1980s*

By Paul W. McCracken

Americans, one might reasonably conclude from a review of the past half-century, seem to feel more comfortable with a problem of economic policy if it is encapsulated into a buzz phrase. This is useful if the buzz phrase does not then become itself a substitute for thought.

In the 1930s, for example, the early floundering around to deal in an ad hoc manner with the problems of depression seemed to take on a more surefooted sense of direction with the mature economy hypothesis — something few here today remember or even remember having read much about. After World War II international financial and economic problems came to be perceived through the concept of the "dollar shortage." Questions were raised in serious journals of the time about the possibility of a permanent international dollar shortage. And in 1980 the buzzword "reindustrialization" came into the lexicon to focus our thinking about the arthritic performance of the U.S. economy.

Buzz phrases, like the brand names they are, can be useful. They capture complex ideas in a brief compass and are, therefore, intellectually economical. They can also be troublesome if we so fasten on the brand name that we miss the nature of the underlying reality.

Past Performance of the United States Economy

That the U.S. economy has not been performing well for many years needs no belaboring here. Yet it is perhaps useful for us to remind ourselves of the key dimensions of the economy's subpar performance. For one thing, throughout history, the U.S. economy has operated with a reasonably flat price-level trend. From 1900 to 1965 — for, in short, the first two-thirds of this century — the consumer price index rose at the compounded average annual rate of 2.1 percent. If the inflationary years of the two major wars and the deflationary years of the Great Depression (1917-1920, 1930-1940, and 1941-1948) are excluded, the average rate for the remaining forty-one years

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was 1.2 percent.

Nor does the evidence suggest that the economy was becoming more inflation prone. From 1948 to 1965, the consumer price index (even including the period of the Korean conflict) moved upward at the rate of 1.8 percent per year, about the same as the 1.7 percent for the first sixteen years of the century.

Actually the relatively stable U.S. price-level trend has been of even longer duration. For what the figures are worth, which, of course, is less than the precise arithmetic of the price indexes would seem to imply, the dollar would purchase about as much on the eve of World War I as during the first decade of the nineteenth century. There had been sharp swings in the price level, but the trend for this period of somewhat over a century was essentially flat or even slightly downward (for example, from 1800 to 1900). During this long period the dollar was thus performing well the fundamental function of money – to serve as a reasonably stable numeraire and store of value.

Ours has also been a reasonably full-employment economy. Again for the first two-thirds of this century, excluding 1930-1948 (that is, the Great Depression and World War II), the average unemployment rate for the remaining forty-seven years was 4.7 percent. And two periods here are particularly worth noting. During the first decade of this century, there was an explosive increase in the labor force, which grew at an average annual rate of 2.6 percent (slightly larger than the exceptionally rapid increases of the 1970s). Yet the average unemployment rate from 1900 to 1910 was 4.5 percent.

If economists were asked to name presidents in this century who displayed a particularly good grasp of economics, it is doubtful that Coolidge would appear on many of the lists. It is therefore interesting – perhaps ominously interesting – that during the Coolidge years (1922-1929) the unemployment rate averaged 3.7 percent, real output increased by 4.7 percent per year, and the price level increased by only 2.2 percent (an average annual rise of 0.3 percent). If Governor Reagan were to turn in such a performance from 1980 to 1984, even his presently terrified critics would be forced to admit that it had been a good four years.

Finally, during most of our history, at least the period for which reasonably firm empirical evidence can be assembled, productivity in the American economy has been rising at the

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rate of about 2½ percent per year (see table 1). While there have been moderate variations during the roughly ten decades for which we have data, until recently (that is, recently as history goes) there has been no evidence of any deceleration in the ability of our economy to deliver these gains in real incomes.

This is all not, of course, to imply that generations of students "back there" who took courses called "Business Cycles," or the scholars who wrote books and articles on the subject, were preoccupied with something akin to a myth. The U.S. economy was not exhibiting a monotonically rising linear trend. From 1889 to 1929, for example, twelve "business cycles" have been identified. It is worth noting, however, that real GNP in eight of the twelve years containing cyclical troughs was higher than in the prior years containing the associated cyclical peaks. The recedence phases, in short, were characteristically brief and fairly promptly gave way to a resumption of economic expansion.

TABLE 1

Average Annual Increase in U.S. Output per Man-Hour (percent)

Period	Increase
1889-1919	2.0%
1919-1948	2.4
1948-1965	2.6
1965-1973	2.0
1973-1978	0.8
1978-1979	−1.1

Source: 1889-1948 – John Kendrick, "Productivity Trends and the Recent Slowdown: Historical Perspective, Causal Factors, and Policy Options," in William Fellner, editor, *Contemporary Economic Problems* (Washington, D.C.: American Enterprise Institute, 1979), p. 22; 1948-1979 – *Economic Report of the President, 1979*, p. 246.

This record of the American economy's performance through history helps to explain some things deep in the nation's traditions and in what might be called the psyche of Americans. History tended to validate the strategies of the optimists, and the pessimists came out with the short end of the stick. Putting some income aside in, for example, savings accounts did make

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people more financially secure, and also enlarged the nation's stock of productive capital. The belief that government should balance its budget was generally observed (except for war years), and this made the full flow of savings available to finance housing and capital formation. Business could charge as a current cost the historical value or original cost of the proportion of capital currently expiring, confident that years in which current costs were really under-estimated would be about offset by years in which it would work out the other way around.

Recent Deterioration of the Economy

That the American economy has not been living up to its historical record, that it has been sputtering in recent years, is presumably the reason we are concerned about productivity now. During the past five years, for example, the unemployment rate has averaged 6.6 percent, well above the "par" of 4.7 percent for this century (excluding pathological years) and far above the 3.7 percent of the Coolidge era. The basic rate of inflation is now at 10-12 percent, having doubled during the past five years, and with no change in policies there is no reason to assume it would not continue to accelerate. And perhaps the most ominous development of all is that the processes generating gains in productivity seem to have weakened so seriously as to suggest that the American economy may now have virtually no ability to deliver gains in real income. Ominous as this condition would be for the nation as a whole, it would impose on lower-income groups a particularly grim prospect, for the most powerful process to improve the lot of those with lower incomes is vigorous economic progress.

Why is the American economy stumbling in its ability to deliver widely shared rising levels of living? Has some cosmic process decreed that it has reached a geriatric stage where little more can be expected? Or can its capability for dynamic economic progress be revived? These are the questions of the hour.

If we look beyond our own boundaries, of course, we find that the problems with which we are struggling at home are also present in other economies. Indeed, it is instructive to recall the record of longer-run projections for the industrial economies. At the beginning of the 1960s, the Organization for Economic Cooperation and Development (O.E.C.D.) projected

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for its member countries a rise in real output at the rate of 4.1 percent per year for that decade. Early it became clear that these economies would outperform this seemingly ambitious target. By the middle of the decade, the figure was pushed up to 4.6 percent, and the actual performance was somewhat better than that.

At the beginning of the 1970s, perhaps reflecting the strong performance of the prior decade, real output and incomes for the Organization for Economic Cooperation and Development economies were projected to rise by 5.1 percent per year for the ten years ahead. (1) From the beginning these economies fell short of that more ambitious path, and the industrial economies of the world will have closed out the decade (1977-1980) with real GNP rising at less than 3 percent per year. (2)

TABLE 2

Annual Growth in Real GNP per Employed Worker (percent)

Country	1963-73	1972-75	1978-80
Canada	2.4%	0.5%	– 1.6%
France	4.6	2.7	2.8
Germany	4.6	2.9	2.5
Italy	5.4	1.3	2.8
Japan	8.7	3.0	4.5
United Kingdom	3.0	1.0	0.2
United States	1.9	0.1	– 0.9
Median	4.6	3.0	2.5

Sources: 1963-73 – *Economic Report of the President, January 1980*, p. 85; 1972-75 and 1978-80 – "Economic Outlook," July 1980, p. 46.

All major economies of the industrial world experienced a decline in their ability to deliver gains in productivity and real incomes. Indeed, for the so-called big seven there seems to have been about a 50 percent decline in the rates of increase for real GNP per worker from the 1960s to the 1970s (see Table 2). And this does suggest that there have been some forces common to all economies that have been impeding their ability to sustain gains in the efficiency with which labor has been utilized.

Two such forces suggest themselves immediately. One is the much higher rate of inflation in the industrial world during the 1970s, and the other is the explosion of energy prices that has

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occurred. That there was a deterioration in the rate of inflation needs no belaboring. By the first half of the 1970s the price level was rising in most of the major economies at least twice as rapidly as during the 1960s, and this pace of inflation accelerated further during the concluding half of the decade for the Anglo-Saxon countries and France. (see Table 3)

TABLE 3

Annual Rate of Rise in Consumer Prices (percent)

Country	1960-65	1965-70	1970-75	1975-80[a]
Canada	1.6%	3.9%	7.3%	8.9%
France	3.2	4.4	8.9	10.3
Germany	2.8	2.4	7.2	4.1
Italy	4.9	3.0	11.4	16.0
Japan CPI[b]	6.0	5.4	17.6	6.7
Japan WPI[c]	0.4	2.2	9.4	5.9
United Kingdom	3.3	10.2	13.0	14.6
United States	1.3	4.2	6.8	9.0
Median	3.2	4.2	8.9	9.0

Source: Basic data from *International Financial Statistics*.
a – Estimated from incomplete data for 1980.
b – Consumer Price Index
c – Wholesale Price Index.

While a discussion of the reasons for this accelerating inflation is beyond the scope of this paper, a brief comment may be in order. The key development here was probably the seeming release from the disciplines that had been imposed on domestic economic policy by the so-called Bretton Woods international monetary system. No longer did governments have to manage domestic economic policies while keeping a close watch on their international reserves since, in the new floating system, exchange rates could absorb the adjustment. Governments had to learn that changes in exchange rates impose their own disciplines – for example, upward pressures on the domestic price level as the value of the home currency deteriorates. In any case, there was an almost worldwide explosion of expansive demand management policies. M2 for six European nations, for example, by 1973 was rising at a rate of 18 percent. (3)

More will be said about this later, but it seems reasonable to

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assume that in this more inflationary environment the performance of the industrial economies would deteriorate. Economic policies during that period tended to be stop-go. The greater uncertainty, higher risks, and less dependable availability of financing would be expected to have an adverse effect on investment. In any case, gains in output per person employed by the latter part of the past decade were running at about half the rate of the 1963-1973 period, and for the United States and Canada the sign turned negative.

Another factor of international scope that must have had a profound impact on the ability of the industrial economies to generate gains in productivity was the sharp upward movement of energy prices that began in 1973. The technology of production for the industrial world had become adjusted to the long, slow decline in the real prices of energy. By 1970 the U.S. wholesale price index for the real prices of fuels and related products and power was about 10 percent below its level two decades earlier, and the real price of crude petroleum had declined about 10 percent since 1955 (see Table 4). A market economy sensitively adjusting resources will (and should) produce a pattern of technology using growing amounts of inputs whose real costs are declining. This the economy did — for example, in the strong demand for larger cars.

TABLE 4

Producer Price Indexes
(1967 = 100)

Year	All Commodities	Fuels, Related Products, and Power		Crude Petroleum	
		Index	Real Terms[a]	Index	Real Terms[b]
	(1)	(2)	(3)	(4)	(5)
1950	81.8	87.1	106.5	83.2	101.7
1955	87.8	91.2	103.9	92.4	105.2
1960	94.9	96.1	101.3	98.6	103.9
1965	96.6	95.5	98.9	98.2	101.7
1970	110.4	106.2	96.2	106.1	96.1
1973	134.7	134.3	99.7	126.0	93.5
1975	174.9	245.1	140.1	245.7	140.5
1980 [c]	267.0	580.0	217.0	550.0	206.0

Source: Basic data from the Bureau of Labor Statistics.
a/ Column 2 divided by column 1.
b/ Column 4 divided by column 1.
c/ Preliminary; based on incomplete data.

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In the early 1970s these economies suddenly found themselves 180 degrees off course, as the real price of energy more than doubled from 1973 to 1980. Capital resources and the creating of new technologies were forced in the direction of increasing output per B.t.u. New investment and changes in production that would reduce energy inputs per unit of output might improve labor efficiency, but not necessarily. In any case the beneficial effect on labor productivity of efforts directed largely to reducing energy inputs per unit of output could be expected to be less than in an era when real energy costs were declining and when technology and capital could be devoted more single-mindedly to increasing output per hour of labor worked. This was a discontinuity in the normally slow changes confronting users of economic resources to which all industrial economies — indeed, all economies — had to adapt, and the actual performance of these economies is at least in the direction of what economic analysis would lead us to expect.

The Investment Shortfall

While a deterioration in economic performance during recent years is by no means limited to the United States, being evident in all the major industrial nations, a closer examination of the data does leave one with an uneasy impression. The deterioration of the U.S. economy seems to have been relatively quite severe. This is evident in rates of inflation. During the 1960s rates of inflation for the Federal Republic of Germany and the United States were almost identical. After the surge of inflation during the first half of the 1970s, however, West Germany's rate settled at 4.1 percent per year in the 1975-1980 period — about 60 percent above the 2.6 percent average of the 1960s. The United States also experienced an inflationary surge in the 1970-1975 period, but the acceleration continued — producing 9 percent per year average rate for the years 1975-1980, more an three times the average for the decade of the 1960s.

This relative deterioration in our economic performance is equally evident in the data for productivity. While output per person employed was rising more slowly toward the end of the 1970s throughout the industrial world, countries such as France, the Federal Republic of Germany, Italy, and Japan were closing out the decade with the change in this measure of economic efficiency still positive and equal to 50 to 60 percent

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of the rates for the 1963-1973 period, as indicated by the data in table 2. During that earlier period the U.S. economy's rate of improvement in output per worker was low, the lowest of the seven major industrial economies, and its deterioration during the 1970s was more severe. Indeed, the U.S. gains in output per worker from 1975 to 1980 will, when the data are available, probably be well below 1 percent per year and may be negative.

Are there developments in the U.S. economy that might at least help to explain this relatively poor performance – poor relative to other economies and poor relative to our own earlier track record? Three suggest themselves immediately. First, it is clear that the United States became a seriously underinvesting economy during the past decade. This is now generally recognized, but a quick review of the quantitative dimensions shows the magnitudes involved. During the fifteen years from 1956 to 1970, the net amount of nonresidential fixed investment per person added to the civilian labor forces was $71,450 (in 1972 prices (see table 5)). In the first half of the 1970s, this figure dropped to just over $60,000 and in the second half to $55,000. Moreover, growing amounts of this capital formation in more recent years were required to comply with environmental and safety regulations rather than for the more conventional objective of achieving gains in measured output per unit of labor.

TABLE 5

Nonresidential Fixed Investment
per Person Added to Civilian Labor Force
(in 1972 dollars)

Period	Amount
1955-60	69,350
1960-65	78,900
1965-70	66,090
1970-75	60,600
1975-80	55,100

Source: Basic data from the Departments of Commerce and Labor.

Since the amount of the stock of this capital expiring each year has been growing, the net additions to the stock have been quite small at precisely the time when they should have been

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large to keep pace with the exceptionally rapid increases in the work force. From 1955 to 1970 the *net stock* of nonresidential fixed investment (in 1972 prices) per person in the labor force rose from $6,940 to $10,080, an increase at the rate of 2½ percent per year (see table 6). If this pace had continued, the figure by 1980 would have been just under $13,000, more than 20 percent above the actual $10,700. We are, in short, behind by an amount equal to almost two years' production of these capital goods at current rates of output.

TABLE 6

Net Stock of Nonresidential Capital and the Civilian Labor Force
(dollar amounts in 1972 prices)

Year	Civilian Labor Force (in millions)	Net Stock Amount (in billions)	Nonresidential Fixed Investment Per Person
1955	65.0	$ 451.3	$ 6,940
1960	69.6	533.0	7,660
1965	74.5	645.9	8,670
1970	82.7	833.3	10,080
1975	92.6	981.2	10,600
1980[a]	105.0	1,128.0	10,700

Source: Stock of fixed investment, 1955 to 1970 – *Survey of Current Business*, March 1976 and September 1978; 1980 data are my own estimates. Civilian labor force – Department of Labor.
a/ Estimated from incomplete data.

While this shortfall of investment reflects, no doubt, complex causes, a key factor is the sharp decline in "true" retained earnings – the central source of funds for financing capital budgets. "True" retained earnings of corporations in 1979, after correcting for the under estimate of the current cost of capital currently expiring because of conventional accounting practices, would buy 13 percent less capital goods than in 1969 – this is an economy whose labor force had grown during that decade by 28 percent (see table 7).

The effect of this investment shortfall is more far-reaching than just that we were unable to equip the average worker with more powerful machines than would otherwise have been possible. It is through new investment that the most advanced tech-

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nology is introduced into production processes. This sluggish pace of investment has, therefore, left the American economy with production facilities representing aging technologies.

TABLE 7

Corporate Profits
(dollar amounts in billions)

Item	1969	1979	Percentage Change
Corporate profits	77.9	194.9	150.2
Less: Profits taxes	39.7	92.5	133.0
Dividends	22.6	52.7	133.2
Equals: Retained earnings	15.6	49.7	218.6
Plus: Capital consumption adj.	3.5	16.7	
Equals: "True" retained earnings	19.1	33.0	72.8
Nonresidential fixed investment earnings	86.6	171.3	97.8

Source: Department of Commerce.
* 1972 = 100.

And this leads us to a second problem. The United States has probably been generating new technology at a decelerating pace. Although this is all not readily quantified, there is at least circumstancial evidence pointing in that direction. We do know that if we were devoting the same proportion of real income and output to research and development as we were fifteen years ago, the volume of these activities would now be one-third larger than it is today. We also know that there has been a quite steady decline in the number of patent applications and patents issued per billion of GNP (in real terms) (see table 8).

A part of our problem may also be caused by the distribution of these efforts in the United States. In 1975, 21.8 percent of our R & D outlays were in the electrical-electronics area, according to an O.E.C.D. study, and 14.6 percent were for chemicals. The corresponding figures for West Germany were 29.9 percent and 29.1 percent respectively, and for Japan 26.1 percent and 22.1 percent. (4)

Third, there is a whole array of diagnoses of a more social and political character. Has ours become a greybeard economy with hardening of the arteries that has somehow lost its zing

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and vigor, its innovative daring? Have business schools so loaded the business community with people trained for corporate bureaucracies that the instinct for entrepreneurial creativity is being suffocated? Has there been such an expansion in the reach and scope of government regulation that we are beginning to resemble the cumbersome, arthritic performance characteristic of the state-managed economies?

TABLE 8

Patent Applications and Patents Issued

Year	GNP[a]	Applications[c] Number[b]	Per billion GNP	Issued Number[b]	Per billion GNP
1950	533.5	67.3	126	43.0	81
1955	654.8	77.2	118	30.4	46
1960	736.8	79.6	108	47.2	64
1965	925.9	94.6	102	62.9	68
1970	1,075.3	102.9	96	64.4	60
1975	1,202.3	101.0	84	76.8	64
1978	1,399.2	100.9	72	70.5	50

Source: Basic data from U.S. Department of Commerce and U.S. Patent and Trademark Office.
a/ In billions of 1972 dollar
b/ In thousands
c/ For inventions

Whether our society's *Zeitgeist* has turned away from interest in further economic progress is not something to be answered in the *Statistical Abstract*. Church hierarchies and other sources episodically assure us that this is the case. If so, the message has not yet penetrated to the bargaining tables. Nor is it evident when teachers devote their energies to plans for the next strike (rather than, if the achievement data of public school students are any indication, to instruction). And university professors are still known to inquire anxiously about prospects for next year's salaries.

The increasing scope and complexity of government regulation have probably been a growing deterrent to economic progress. Regulations are particularly severe impediments for the new ventures not yet able to hire a gaggle of additional lawyers to sort them all out. And new and smaller ventures are crucially important in the early stages of an innovation, as the

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intellectual patron saint of the role of innovation (Schumpeter) himself points out. It is a sobering thought, and a pathetic commentary on the times, that in this country "such products as penicillin and aspirin would not be able to meet today's requirements." (5)

This review of our economic developments and prospects brings us to a few not particularly startling conclusions, but they are also not unimportant. We do need to give thought to a program for revitalizing the economy. Some do, of course, profess to find spiritual refreshment in the thought that we now have enough and should hunker down and make our peace with no further economic progress, though those who commend to us these spiritual satisfactions do often seem to be exceedingly affluent. In any case this quite obviously is not the general view. There are, no doubt, many reasons for the unexpected increase in the number of women at work, but one is that in an economy that unexpectedly has ceased to deliver significant gains in real income, this has been forced on families to avoid an unacceptable decline in their material levels of living. (6) Moreover, as material levels of living rise, aspirations also rise – unless the external environment causes people to lose hope. (7)

The U.S. economy has deteriorated by more than can be explained by such ad hoc factors common to all industrial countries as oil prices, short crops, or the earlier breakdown of the old international monetary system. If we were merely moving in step with these other economies, our performance would still not compare well with our own history, but our rates of inflation would be lower and our rates of gain in productivity would be higher than has been the case.

Finally, some things can be done to improve our performance for the 1980s, if there is the political will to do it. We are not simply helpless corks on angry waves. The economy is in this wilderness primarily because it was led there by the economic policies that we adopted, and it can be led to better things if we pursue different policies.

Prospects for the Revitalization of the Economy

Along what lines, then, could actions be taken to revitalize our economy? Clearly the first requirement is for demand management (fiscal and monetary) policies to get on a steadier, more moderate, less inflationary path. This economy will not

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work well with large and growing uncertainties about the future value of money. It will certainly not perform well when subjected to alternating periods of wildly expanding the money supply and periods of locking the credit brakes. Our experience during the last three years, particularly in 1980, is instructive on this point. The economy is also not apt to perform vigorously when increases in public sector receipts or public sector outlays approach or exceed 50 percent of the projected rise in national income — as is implied by the path we are now on for FY 1981. And in our low-savings economy we do have to be concerned about the size of deficits. Deficits relative to GNP that can be handled by high-savings economies, such as Japan or the Federal Republic of Germany, will here produce unacceptable limits on the housing and capital formation that can be financed, in the process making it more difficult to stay on course with monetary policy. These points may seem trite, but one of our problems has been emphasis on novelty at the expense of fundamentals.

Second, in the 1980s ours must become a high-investment economy. Even to increase the net stock of capital per worker 2½ percent per year from the depressed current level would require significantly enlarging the share of output going to investment. To regain by 1990 the stock of capital per worker indicated by projecting the 1955-1970 trend would require that nonresidential fixed investment be equal to at least 12.5 percent per year, well above the 10 percent for the 1970s.

The important thing is to begin. And a good beginning would be to base our corporate profits tax system on a more accurate accounting of current costs and, therefore, current profits. What we need is not so much tax gimmicks to encourage investment as accounting and tax systems that will accurately measure true costs and profits. A simple procedure by which depreciation charges would be adjusted for the rise in the general price level, in order to include as a current cost the current value of capital expiring, would solve most of the problem, but this apparently is too straightforward for the accounting profession (providing, as it would, fewer jobs than more complex procedures). Fortunately, an adjustment in depreciation schedules can arrive arithmetically at approximately the same result, and this action will apparently occur in 1981.

Third, the full participation by the United States in the

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international trading order can play a major role in a reinvigorated American economy. There are specific cases of U.S. industries having hard going with foreign competition, but the solution to this problem is for them to become competitive and not to erect shields and barriers so that they can feel more comfortable with their lack of competitiveness. Actually the United States has been doing surprisingly well in export markets (after the readjustment following the era when the dollar was overvalued in foreign exchange markets). In 1980 our merchandise exports will equal about 20 percent of our goods GNP, a proportion that has doubled since 1970. During that same period exports of manufactured products have risen from 6.4 percent of goods GNP to over 13 percent. And the United States has been accounting for a slowly growing share of the world export market since 1977, halting a long-run declining trend.

Finally, it is essential that the United States resist the siren song of some sort of government master plan or master-planning agency to lay out the blueprint for the "reinvigorated economy" of the 1980s. Whatever the merits of a MITI in the consensually structured society of Japan, all the evidence suggests limited applicability for the U.S. Colbert believed in laying out a blueprint for the French economy a century before Adam Smith, with the result that the more free, market-oriented strategy of the British economy left France far behind. It may be significant that France, with the present government's move to a more open and competitive strategy of economic policy, will show stronger gains in productivity for the final years of the 1970s than in the 1970-1975 period. International evidence is overwhelmingly clear that the fundamentally market organized economies are the success stories – the Federal Republic of Germany, not East Germany; Austria, not Czechoslovakia or Poland; Taiwan or Singapore or Hong Kong, not the People's Republic of China.

During the 1970s we moved toward more detailed government management of economic life, and we got the poorer performance we should then have expected. If we want a stronger performance in the 1980s, we might try relying more on the liberal, market-organized strategy. It has, after all, a track record of demonstrated performance.

Some words of Barbara Tuchman are pertinent here:

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A problem that strikes one in the study of history, regardless of period, is why man makes a poorer performance of government than of almost any other human activity. (8)

FOOTNOTES

* This paper was presented by Professor McCracken during the Public Policy Week held by the American Enterprise Institute for Public Policy Research in December 1980.

(1) Organization for Economic Cooperation and Development, *Toward Full Employment and Price Stability* (Geneva, 1977), p. 39.

(2) International Monetary Fund, *World Economic Outlook* (Washington, D.C., May 1980), p. 86.

(3) Cf. OECD, *Towards Full Employment and Price Stability*, p. 340.

(4) Organization for Economic Cooperation and Development, *Technical Change and Economic Policy* (Geneva, 1980), p. 31.

(5) PECK *Technical Change and Economic Policy*, p. 53.

(6) A 1973 Bureau of Labor Statistics projection of the labor force in 1980 over estimated the number of men by about 4 percent and under estimated the number of women by 14 percent. Cf. Jack Alterman, "The United States Economy in 1985: An Overview of BLS Projections," *Monthly Labor Review* (December 1973), pp. 3-42.

(7) George Katona, *Psychological Economics* (Elsevier, 1975), pp. 14-15.

(8) Quoted by Steven R. Weisman in his review of "The Cost of Good Intentions," by Charles R. Morris, in the *New York Times* book review section, July 27, 1980, p. 1.

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DETERMINANTS OF EXCHANGE RATE MOVEMENTS: A REVIEW

By Andrew Crockett

To facilitate the analysis of the causes and consequences of fluctuations in the major world economies the International Monetary Fund periodically assembles charts and tables containing data that bear on the evolution of exchange rates. This article will discuss the implications of some of these for the analysis of exchange rate movements. The indicator used to measure the external value of currencies, and shown here in Chart 1, is the "effective" exchange rate. This rate shows the evolution of a given currency's value in terms of a weighted average of other currencies. The weights, generated by the Fund's Multilateral Exchange Rate Model, attempt to capture the relative importance for a country's balance of trade of exchange rate changes taking place among the currencies of trading partners and competitors.

Charts 2 - 6 relate to various factors which affect international exchanges of goods and financial assets, and which therefore influence developments in exchange markets. For many years, the analysis of payments and exchange rate developments concentrated mainly on the influences of supply and demand in goods markets — that is, on developments in the current account. More recently, there has been increased recognition that the demand and supply for financial assets can also be a potent influence on exchange rate developments. More often than not, adequate explanation requires attention to several major economic factors whose respective influences sometimes reinforce and sometimes partially offset each other. In addition, changes in expectations, sometimes induced by political developments, can exert a strong influence on exchange markets.

The current account

An exchange rate is a price, and like any other price is ultimately determined by supply and demand. Much early analysis of payments flows saw demand for foreign exchange as a derived demand, representing simply the other side of the coin

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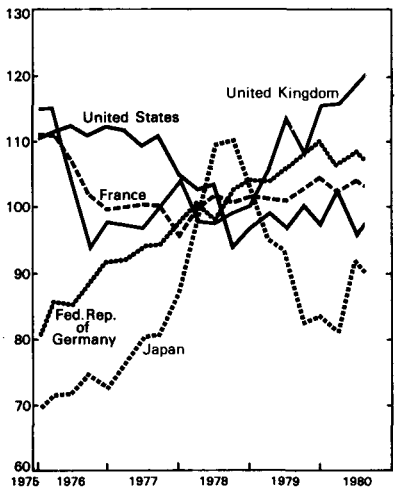
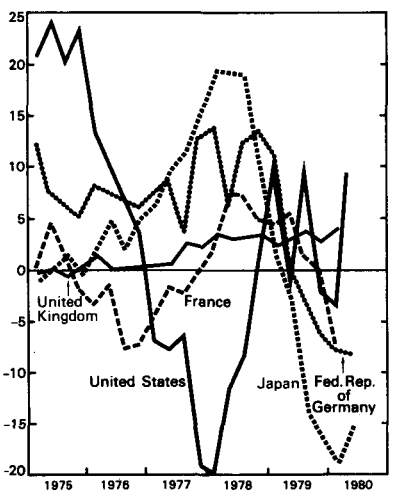
Chart 1
Effective exchange rates [1]
(Indices, 1978 = 100)



Source: Data from International Monetary Fund, *International Financial Statistics*.
[1] Weights generated by the Fund's Multilateral Exchange Rate Model.

Chart 2
Payments balances on current account: goods, services, and private transfers [1]
(In billions of U.S. dollars)



Source: Data from International Monetary Fund, *International Financial Statistics*.
[1] Seasonally adjusted, annual rates.

of the demand and supply for goods and services entering international trade.

Such a view of the foreign exchange market suggests that the balance of payments (BOP) on current account is likely to be a major determinant of exchange rate movements, as indeed it is. A comparison of Chart 2 with Chart 1 reveals a number of occasions where such an association can be observed. The growth, and later decline, of the Japanese payments surplus over the period 1976-79 is matched by an appreciation and subsequent depreciation in the effective exchange rate of the Japanese yen. A similar though less striking relationship can be detected for the United States; and the appreciation of the

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pound sterling in 1979 and 1980 can be explained in terms of the (relative) strength of the U.K. current account.

By and large, however, attempts to explain exchange rate developments exclusively or even predominantly in terms of the BOP on current account do not yield very satisfactory results. Most of the short-term fluctuations in exchange rates among the five currencies covered in the charts have little to do with payments performance; and even over longer periods the relationship is quite loose. The reasons are perhaps not surprising. If exchange rates did, as the hypothesis maintains, move to equilibrate the current account, then there would be no observable and systematic relationship between the two phenomena, since the payments position would always tend to equilibrium. Only if there were a systematic lag in the response of the exchange rate to payments developments could an empirical relationship be established. However, the existence of such a systematic lag would tend to set up incentives for private market participants to anticipate the subsequent exchange rate movement and to eliminate the observed relationship. Thus, to the extent that current account developments bring about exchange rate changes, their impact is obscured by the two-way nature of the relationship, as well as by the presence of other important factors.

Relative prices

To gain a better understanding of the causal mechanisms at work, it is necessary to look behind the current account to the underlying determinants of trade flows, as well as beyond it to capital flows and reserve movements. One underlying determinant is relative price developments in different countries, the expectation being that exchange rate changes would tend to offset differential movements in national price levels. The "Purchasing Power Parity" (PPP) theory is one formal expression of this expectation. It was first popularized by Gustav Cassel in 1918 and has since enjoyed a somewhat checkered academic reputation. Under suitably rigorous assumptions, PPP becomes a tautology. If nothing changes in an economy except that all costs and prices double, the value of real assets and the quantity of financial assets doubles, the distribution of wealth is unchanged, and so on, then the equilibrium value of the currency used in that economy, in terms of other currencies, will be halved.

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It is clear, however, that other factors are not likely to remain constant while these monetary changes are taking place. Production methods may adjust, the relative scarcity of different factors of production may change, new discoveries may be made, tastes may alter, cyclical developments can occur, and so on. These factors may be set off by events that are independent of monetary developments; they may also be influenced by them. But whatever the reason, one result is likely to be changes in the structure of international demand and supply in goods markets that will bring about the exchange rate changes needed to offset underlying inflation differentials.

Both BOP and exchange rate developments can be explained partly in terms of relative movements in aggregated price indices, and partly in terms of specific factors affecting the demand for and supply of particular traded goods. Which factor predominates depends both on how rapid general inflation is and how significantly individual countries' terms of trade are shifting. If one major industrial country is experiencing 20-30 percent inflation while another, producing broadly the same range of goods, has contained inflation to, say, 5 per cent, it is to be expected that the currency of the former is likely to depreciate in terms of the currency of the latter, and that over time the rate of depreciation will not be too different from the difference in the rates of inflation. This explains why the Federal Republic of Germany and Japan, whose inflation rates have generally been below those of the other major industrial countries, have each had a steadily appreciating currency (see Charts 1 and 3). If, however, there is a substantial change in a country's trade structure, this may well be reflected in disparate movements in the exchange rate and domestic costs. Since 1976, for example, the pound sterling has steadily appreciated against the other four major currencies, despite an inflation rate in the United Kingdom that is well above average. The reason lies, at least to some extent, in the strength imparted to its BOP by the rising production of North Sea oil.

More generally, if differences in inflation are small, their effect on competitiveness is more likely to be swamped by the other "real" factors affecting BOP performance. Under such circumstances, a comparison of differences in inflation will make a much smaller contribution in explaining actual exchange rate movements — particularly since it will not be clear which

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particular measure of inflation is appropriate for cross-country comparisons. The prices of internationally traded goods might seem most relevant in explaining payments developments. However, such prices are prevented by the forces of competition from diverging very much from similar goods produced in other countries; so that the impact on trading performance is not directly through price changes, but through changes in the profitability of the firms that produce export products. What is needed, therefore, is a measure of costs or prices that better reflects national inflationary developments.

In general, consumer prices give a measure of inflationary pressures and are both comprehensive and broadly comparable among countries. For this reason, they are used in Chart 3. However, consumer prices also reflect local pressures that do not affect international trade – such as consumption taxes and differences in local prices of traded and nontraded goods. If a country has a very rapid increase in productivity in traded goods industries, this is likely to result in a shift in labor from nontraded to traded goods firms, and hence to rapidly increasing real wages in nontraded goods industries also. If productivity is rising only slowly in the nontraded goods industries, the prices of their products will rise rapidly, thus bringing about increases in the consumer price index as a whole, Japan is a striking example of this phenomenon. For much of the 1950s and 1960s, Japan had the most rapidly rising consumer price index of any industrial country, yet had stable export prices and a steadily improving trading position. The reason lay in the much stronger productivity gains which Japan was experiencing in traded, as compared with nontraded, goods industries.

In analyzing exchange rate trends, therefore, it may often be more appropriate to use measures which try to capture changes in costs in industries producing export goods. Chart 4 offers three possible measures: wholesale prices, the gross domestic product deflator, and unit labor costs in the manufacturing industry (all expressed in terms of the national currency). But although these measures may provided a better analytical basis for determining the causes of exchange rate developments, they still fall short of a fully satisfactory framework. In the first place, changes in relative costs of production manifestly do not fully explain the exchange rate changes that have taken place among major currencies over the past few years. Second, to the

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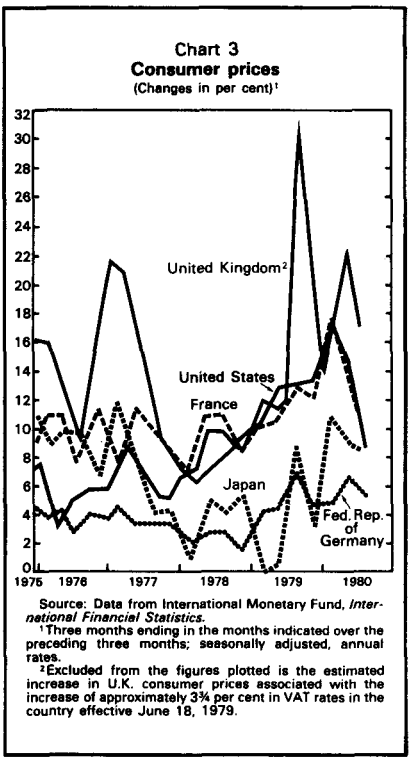
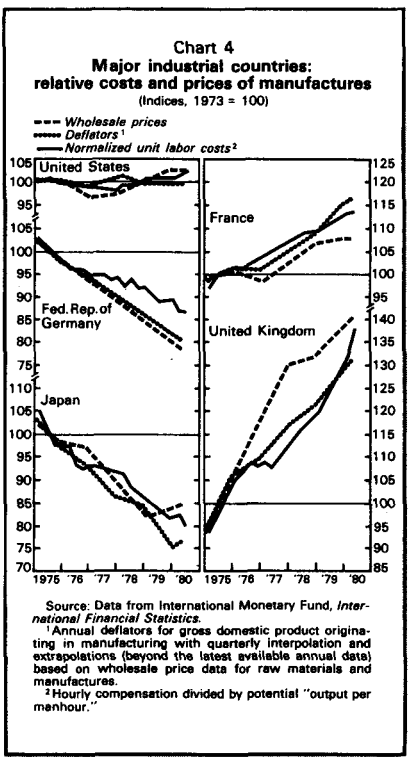


Source: Data from International Monetary Fund, *International Financial Statistics.*

[1] Three months ending in the months indicated over the preceding three months; seasonally adjusted, annual rates.

[2] Excluded from the figures plotted is the estimated increase in U.K. consumer prices associated with the increase of approximately 3¾ per cent in VAT rates in the country effective June 18, 1979.



Source: Data from International Monetary Fund, *International Financial Statistics.*

[1] Annual deflators for gross domestic product originating in manufacturing with quarterly interpolation and extrapolations (beyond the latest available annual data) based on wholesale price data for raw materials and manufactures.

[2] Hourly compensation divided by potential "output per manhour."

extent that they do provide a partial explanation, the more fundamental question remains of what has caused the changes in relative production costs.

There are a number of basic shortcomings in any approach that attempts to explain why exchange rates shift in terms of cost and price developments. First, such an approach does not take account of the impact of cyclical fluctuations in output and incomes on the demand for imports and the supply of exports. Second, it ignores changes in the structure of output and demand that affect the equilibrium relationship of aggregate cost or price indices between countries. And, third, it does not explain short-term movements in exchange rates which may result from uncertainties and lags in the adjustment process. Lastly, it does not address the question of how capital flows are determined.

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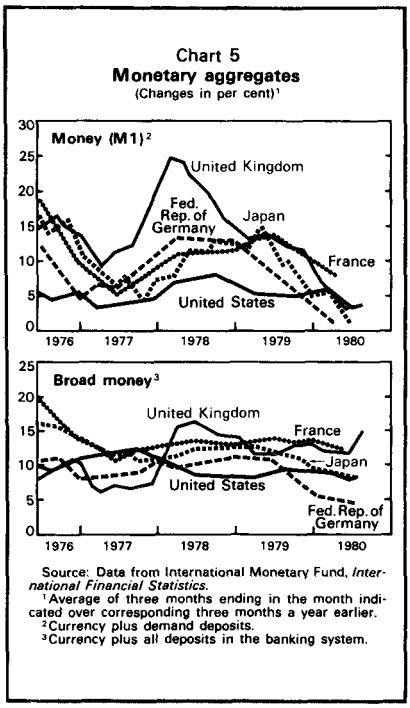

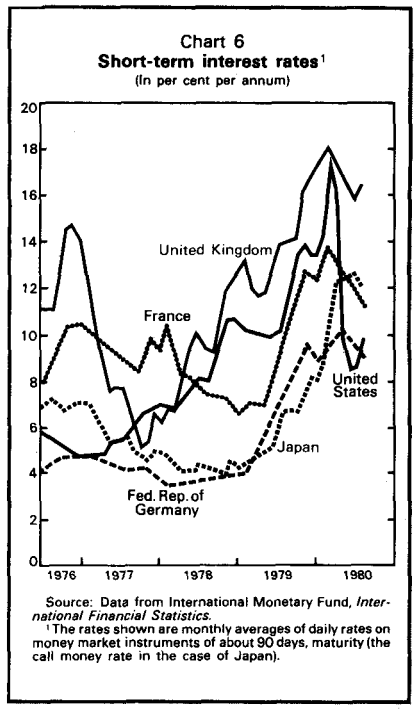

Asset markets

Partly in answer to these perceived shortcomings, in recent years a consensus has arisen among analysts of BOP and exchange rate developments that the foreign exchange market should be viewed, at least in the short term, as an asset market. That is to say, the price which emerges for a particular currency in the foreign exchange market must represent a balance between the desire to hold stocks of assets denominated in that currency and the quantity of such assets in existence.

Such a theory does not, of course, deny that there is a demand for currency as a vehicle for the acquisition of real goods. However, in the relatively short run, the stock of financial assets that is held for purposes of investment or liquidity is inevitably large relative to the volume of financial instruments that need to be acquired for the purpose of effect-

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ing current transactions. Since assets can be exchanged relatively easily (at least at the margin), while it takes time to exploit an emerging comparative advantage in goods production, it is likely that factors influencing the attractiveness of different assets to hold will, in the short run, play the greater role in determining exchange rate movements.

To help explain short-term currency movements, therefore, it is necessary to consider factors affecting the demand and supply of financial instruments denominated in the currency under study, as well as those affecting other currencies for which they might be exchanged. Since empirical work for a wide range of countries has suggested that the most stable demand function for a financial asset is that for money, one of the ways in which exchange rate developments may be assessed is through a comparison of the supply and demand for money in different countries.

Rates of growth of monetary aggregates provide information on the supply of various currencies (Chart 5). In the absence of other developments, it would be expected that a more moderate rate of monetary growth would be associated with a strengthening exchange rate, because monetary tightening would induce capital inflows, a reduction in domestic inflationary pressures, and improved competitive performance. Chart 5 shows some developments that are consistent with these a priori expectations. The declines in monetary growth in Japan in 1976/77 and in the United Kingdom in 1978/79 were both associated with a strengthening of their respective currencies. On the other hand, viewed as a whole, the charts do not reveal a very close correlation betwen exchange rates and monetary growth.

Part of the explanation is that supply is only one side of the equation. Exchange rate movements are likely to be induced by imbalances between demand and supply in different money markets. The analysis must therefore be extended to include comparisons of factors governing the demand for money. Such a comparison requires econometric rather than simply graphical techniques. However, a powerful factor affecting the relative attractiveness of currencies is interest rates. Because of the importance of this phenomenon in determining exchange rate movements, Chart 6 provides information on interest rate developments for short-term instruments. It may be seen that the rapid increase in interest rates on U.S. dollar assets that

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took place in late 1979 and early 1980 was accompanied by a marked strengthening of the dollar in exchange markets. Overall, however, the prima facie relationship is not good. This does not necessarily mean that the causal link is weak, since other major influences are likely to be operating. Monetary authorities have used interest rate policy to moderate movements in the external value of their currency. Thus the observed association between interest rates and exchange rates may be negative (a falling exchange rate induces the monetary authorities to adopt higher interest rates) while the causal link is positive.

A reconciliation

The fact that the exchange rate is a price that has to balance the desire to hold stocks of assets denominated in a particular currency with the available supply does not mean that it does not also have to equilibrate demand flows, arising from current transactions, over time. Indeed the longer the time horizon being considered, the more helpful it is to consider flow factors; and the shorter the horizon, the more helpful it is to consider changes in stocks. This is simply a question of relative magnitudes. Over a short period, the stock of assets that can be exchanged for assets denominated in other currencies is large relative to the purchases and sales of these assets out of current income. The longer the time horizon being considered, however, the greater the potential size and importance of cumulative flow of assets, and the stronger the influence of current account factors on the equilibrium value of the currency.

It should also be noted that asset markets (under normal conditions) can adapt to changed circumstances more rapidly than goods markets. If monetary conditions tighten in a given country, pushing up interest rates, funds can be attracted from abroad very quickly, and the consequent impact on the exchange rate is almost immediate. On the other hand, it takes considerable time, possibly even several years, for improved competitiveness in goods markets (as a result, for example, of devaluation) to be fully reflected in trade flows. Time is required for producers to recognize new market opportunities, expand production capacity, build up marketing networks, acquire product reputation, and attract business away from competitors.

However, the fact that the current account responds slug-

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gishly to changes in its underlying determinants does not mean that it has no influence on short-term exchange rate movements. International investors and speculators move funds bearing in mind expected exchange rate movements. Where future developments affecting a country's payments position or international competitiveness can be foreseen, they will "cast their shadow forward" and cause an anticipatory adjustment in market rates. Perhaps the best example of this phenomenon is the strength of the British and Norwegian currencies even before oil production in the North Sea had been built up to significant levels. It has also probably been the cause of the wide swings that have taken place in exchange rates, in reflection, inter alia, of changing perceptions of countries' relative prospects for success in combating inflation.

An interactive process

This article has reviewed a number of factors that affect, proximately or more fundamentally, fluctuations in exchange rates. These factors are not, however, alternative explanations. They are separate aspects of an interactive process that needs to be viewed as a whole. An increase in the quantity of currency X will tend, other things being equal, to depress its price in terms of other currencies. One of the ways in which this will come about is through a decline in interest rates for currency X, that provokes an outflow of funds across the exchanges. Another way this influence can be transmitted is through more expansionary policy. This will lead to an increase in the money supply, which will tend to cause an increase in the domestic absorption of goods of all kinds, and thus bring about a deterioration in the current account. Higher demand for domestic factors of production will make it easier for these factors to raise their prices. Higher factor costs in turn will lead to higher retail prices, to reduced competitiveness in foreign markets, and then to continued downward pressure on the exchange rate.

It is apparent from the above discussion that there is no single variable which can be used to explain exchange rate developments in a world of floating exchange rates. Different factors explain different aspects of current price movements; they represent separate links in the chain of causation and can occur in a wide variety of combinations. Thus, there can be no simple policy prescription that can be used to bring about greater

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exchange rate stability. Indeed, the fact that each of the policy instruments or indicators that is associated with exchange rate changes has links also with other domestic and international policy objectives should warn national authorities against establishing exchange rate stability as an overriding objective. Nevertheless, it is clear that domestic policies which help bring about a greater measure of stability in local prices and nominal interest rates will contribute to a more smoothly functioning international exchange rate system. In that situation, the underlying determinants of exchange rates are likely to shift more slowly, expectations will be equilibrating rather than disruptive, and the propensity of market transactors to "second-guess" official policy actions in ways which destabilize exchange markets will be minimized.

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ECONOMIC CONTROLS: DIALECTICS OF EFFICIENCY AND FREEDOM

By Oleg Zinam

Economic control is a basic and essential but not the most important aspect of social control. Social control encompasses all means, methods and institutions which provide incentive and sanctions necessary for the orderly performance of vital social functions. Economic control facilitates the orderly and peaceful performance of economic functions of using scarce material resources to produce goods and services for the satisfaction of human wants and distributing income among those who contributed to their production. At any given point of time, existence of this economic control is manifested in the rules of the game which control economic activities of production, exchange, distribution and consumption. These rules emanate from two principle sources: (1) ethical standards embodied in customs, mores and traditions of society and (2) explicit norms of behavior formulated by law-givers. The former are the results of a subconscious evolutionary process leading back to the very roots of the origins of social order. The latter are explicitly formulated by the legislative to modify existing laws.

Rules of the game regulating economic activities of both the traditional and legal kinds are given in the short run. In the long run, however, these rules, as well as rules for making rules themselves, can be altered. Hence, in the long-run the possibility of choosing between alternative types of systems of socio-economic controls is added. This result can be attained either by an orderly democratic process or by the violent overthrow of the existing order. In Hayek's words, "If in the long run we are makers of our own fate, in the short run we are captives of ideas we have created." (1) Philosophically, in libertarian societies, the choice among different types and degrees of economic control involves the perennial dilemma of reconciling conflicting requirements of preserving human freedom while maintaining the orderly performance of economic functions. "Since freedom and all change conflict more or less with order, the primary essential," wrote Knight, is that "a delicate balance must be struck and maintained." (2)

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Economic Control and Pure Types of Economic Systems

At any given point of time the existing rules of the game determine *who* in a given society has power to decide *what* is going to be produced, *how* resources are to be allocated for this production and *for whom* economic goods and services are produced. How this central question is answered depends primarily on certain important characteristics of the economy's "decision-making structure." Whether the government or individuals in their capacity as producers and consumers possess this ultimate power and to what extent, depends primarily on society's organizational and power structures which emanate from it. Of crucial importance is whether political organization is highly centralized and controls economic organization or whether it is decentralized by the principle of division of power and separated from economic organization. The role of ideologies and their impact on the formation of preferences is essentially different under these alternative organizational and power structures. Of crucial importance, however, is the effect of organizational and power structure on *whose* preferences become effective. (3)

Understanding economic control is important not only because it is essential for the adequate description and prediction needed for formulating economic policies, but also because its characteristics and extent have thorough-going implications for economic efficiency, quality of life, freedom and human dignity. The almost unsurmountable difficulties in defining quality of life, freedom and human dignity are fully recognized. Yet, any society must reach some implicit or explicit degree of concensus on the content and meaning of these concepts.

To facilitate the analysis of real economic systems as they exist in the outside world in an impure or mixed form, it is necessary to resort to the use of ideal or pure types in the Weberian sense. (4) These pure types will reveal how control is exercised in diverse economic systems with strikingly different organizational and power structures. The ideal or pure types used in this study are denoted as Perfect Market Economy or M-P-D (Market-Private Ownership of Capital-Democratic Political Structure) and Absolute Command Economy or K-G-T (Command-Collective Ownership of Capital-Totalitarian Political Structure).

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In terms of crucial variables of organization, power, value-systems, preferences and effective freedom, these ideal types have the following characteristics:

In a Perfect Market Economy, political and economic organizations are separated. Neither dominates the other. Political organization is decentralized and based on separation of power. Capital is privately owned and permitted to be used for private profit. This type of organization leads to separation of political and economic power, a political system based on checks and balances, competitive political order and political democracy. On the ideological level, the individual is considered supreme over the collective. Society exists primarily to assist individuals to attain their destiny. In both economic and political realms individuals have the right to make their own choices.

Separation and decentralization of economic and political orders in such a society facilitate the existence of competing ideological systems and protect the individual's right to dissent. Under the M-P-D order, individual preferences become effective while the government's preferences tend to reflect the preferences of the former. In the realm of economics, market forces determine individuals' opportunity functions. All of these characteristics assure freedom of consumer choice, occupational choice and freedom of business decisions within the framework of government which limits itself to external defense, to upholding law and order and to the control of natural monopolies.

At the opposite pole of the spectrum, in an Absolute Command Economy, political organization dominates economic order. Governmental central planning fully controls economic activity while political order is totalitarian. Factors of production are collectively owned. Power structure reflects society's organization. All political and economic power is concentrated in one center. It is a closed power system in which a self-appointed elite enjoys a monopoly of all political and economic power. In such an ideal socio-economic order, ideology stresses superiority of the collective over the individual. Only the rulers' ideology is permitted; any ideological dissent is ruthlessly suppressed. Education and systems of information are geared to the conditioning of individuals' beliefs and preferences. Government's preferences are effective, while the preferences of individuals are rendered ineffective by restricting their opportunity functions

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and by conditioning. Government enjoys most of the effective freedoms in both political and economic realms. Consumer sovereignty is replaced by planners' sovereignty.

All real socio-economic systems represent some mixture of elements contained in extreme pure types. Nevertheless, the implications of organization and power structures in pure types and the impact of these structures on ideologies, preferences, opportunities and effective freedoms of individuals, groups, organizations and governments must be thoroughly studied because they have a definite effect on the quality of life of the people, (6) their freedom and human dignity.

Economic Controls, Efficiency, Well-Being and Human Dignity

Economic controls affect total human well-being or quality of life, though the impact on economic well-being seems to be more immediate and more evident. Whether the impact of controls is measured in terms of per capita income or rate of growth of total per capita National Income, the problem is always one of efficiency. Yet, efficiency alone is not enough since ill-advised objectives pursued with rigor and efficiency can be even more damaging to an economic system and the well-being of individuals than a sound economic policy implemented inefficiently.

If a society agrees on its economic objectives, what level of controls is just right to attain these objectives? If costs and benefits from economic controls, as well as economic controls themselves, were homogeneous and infinitely divisible, an optimum level of controls could be defined as that point where marginal benefits just equal marginal costs. But this is very rarely the case and marginal analysis utterly fails in most attempts to calculate the optimum volume of controls needed to attain certain reform or change in the rule of the game in the market.

This is aggravated by an inevitable divergence between economic and social costs. It has been argued that much economic efficiency might be associated with the infliction of social costs which are disproportionately large in comparison to the economic benefits secured. Moreover, on the global level, and in a broad historical perspective, economic well-being is not a guarantor of a good life and the happiness of a society. Some writers even condemn economic growth as detrimental and

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destructive to some important human values. The advocates of the Zero Economic Growth policy seem to echo the contentions of John Stuart Mill that a stationary state, contrary to Ricardo's views, should be considered a blessing rather than a calamity. Most economists, however, defend the necessity for improvement in material well-being on the grounds that it broadens the human range of choice for good or evil. If people misuse their freedom to reduce their over-all well-being by an imprudent life style, that's their problem and not the concern of economists.

Nevertheless, there are some disquieting signs that "the quest for higher standards of living is becoming an end in itself, with these standards being defined in exclusively economic terms" and that "higher things are esteemed according to their usefulness for the lower things." (7) This raises the question of the primary purpose of aiming at higher and higher material well-being. It should lead to a higher over-all well-being which is extremely difficult to define even in terms of a weighted quality of life index including the most important facets of human existence: political, aesthetic, moral and others along with the economic.

As stated before, in the short run, controls are given and the concept of quality of life cannot be substantially changed, while in the long run, the rules of the game and even the rules for making or changing the rules themselves can be substantially or even drastically altered. This adds an additional dimension to the concept of over-all well-being, that of availability to members of society of effective freedom to change both the quality of life desired as well as the type and character of controls determining the rules of the game in socio-economic life.

Effective freedom to participate in decisions moulding the destiny of man is closely associated with the concept of human dignity together with the idea that human dignity cannot be maintained unless some minimal levels of over-all well-being are provided to every human being within society. The rest of this article is devoted to the analysis of the crucial question of the impact of alternative methods of socio-economic organization providing different types and amounts of economic controls on quality of life and human dignity.

Some Recent Historical Examples

Among the objectives set by governments in their efforts to

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improve the material well-being of their citizens one usually finds full employment, adequate economic growth, stability of prices and equitable distribution of income and wealth. In libertarian countries governments frequently include, implicitly or explicitly, the goals of maintaining or even expanding economic freedoms such as freedom of consumer choice, freedom of occupational choice and freedom of business decisions.

In some cases there is need for a trade-off between economic freedom and efficiency in attaining other important economic objectives. In others, controls are carried too far, and efficiency can be improved only by their diminution or even removal. Economists disagree at what point economic controls reach the optimum beyond which their increase becomes harmful.(8)

In the USA, proponents of "managed capitalism" like Paul Samuelson, Walter W. Heller, John K. Galbraith and Alvin H. Hanses, accept more governmental intervention in economic affairs while "free economy" economists such as Arthur Burns, Milton Friedman, Frank H. Knight, Henry G. Wallich, and George J. Stigler believe that controls are already beyond the point of diminishing returns. (9) In Great Britain the Labor government went too far in its push to equalize income and reduce inequality of wealth and is paying for violating the admonition by Wallich that "we must furnish welfare without destroying initiative and provide security without doing injury to incentives," (10) by high rate of inflation and unemployment.

But even totalitarian governments in which "importance attributed to an individual is notably absent" and is valued "only in so far as he serves the state," (11) economic controls can become too stringent and overcentralized. Such an economy might suffer from diminishing returns to overcentralization due to its complexity rapidly outrunning the capabilities of control mechanisms to deal adequately with the consequences of rising complexity.

This was the case in the Soviet Union in the 1960's. Some Soviet economists and academicians proposed an economic reform to liberalize the system and make it more efficient. Yet, when under Krushchev an attempt at economic reform was undertaken and a considerable amount of decision-making was shifted from the center to individual republics, the fear of the political implications of such a drastic change in the economic sphere led to the Brezhnev-Kosygin counter-reform which

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essentially returned power to central ministries and curbed powers delegated to the republics.

The counter-reformers felt that "there is no advance assurance that such a process of transformation would not disrupt the whole intricate web of centralized control levers that make up the authoritarian political system of the USSR." (12) This is a case of controls being carried well beyond the optimum at which freedom and efficiency become complementary and to increase efficiency, controls have to be reduced. Leaders in the Kremlin refused to gain economic efficiency at the cost of granting more decision power to lower authorities and the people themselves. (13)

In the long run, a socio-economic system can gradually evolve from a predominantly free market to a different type of system called "democratic socialism." In Great Britain this happened after World War II. The landslide victory of the Labor party in 1945 was at least partially due to a shift in the preference of the majority of the people in Great Britain from one concept of freedom to another. In Hayek's terms allegiance to "freedom from coercion, freedom from arbitrary power of other men," was substituted by the acceptance of a new freedom from "despotism of physical want" from the "restraints of the economic system" and "from the compulsion of circumstances which inevitably limit the range of choice of all of us, although for some very much more than for others." (14)

Competing Concepts of Freedom

In planned command economies the rulers use this second concept of freedom together with another much broader and nobler concept of voluntary subjection to highest value which could be defined as altruistic service to a collective, usually a nation. This type of freedom involves sacrifice which can be very appealing, especially to young idealists desiring to lose themselves in a cause greater than themselves.

Unfortunately for the individualistic type of freedom, it includes also freedom to relinquish freedom and "to be relieved of the necessity of solving his own economic problems." (15) Moreover, the quest for security, at any given historical time in a nation might become so overwhelming that people would stress that "without economic security, liberty is not worth having." (16) The prevalence of such a concept of free-

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dom or rather escape from freedom, greatly contributed to the victory of the Labor party in 1945 in England. Moreover, in a democratic market economy, a violent revolution is much easier to achieve. This makes it much easier to replace the existing order with an autocratic command economy than to reverse such a change.

In most theoretical treaties, egoistical behavior is usually attributed to individuals, but very seldom to governments. There exists "a common supposition that government's proper function is the maximization of social welfare." Many theorists "fail to apply the self-interest axiom to governments, although it is the foundation of analysis concerning private economic agents." (17) Since governments are not run by altruists, they cannot be adequately treated by any theory which disregards its organizational and power structure. A government in a command economy controls greater coercive power and can disregard preferences of individuals to a much higher degree than in a free market economy.

Totalitarian governments have a much greater potential than a democratic one to "force people to act against their own immediate interests in order to promote a supposedly general interest" and "to substitute the values of outsiders for the values of participants" either by telling them what is good for them or by taking from some to benefit others. (18)

For ideological reasons and to attract people's allegiance they claim to have formulated superior concepts of freedom and human dignity than their adversaries. And indeed in their purely theoretical form they are deeper, nobler and loftier than libertarian definitions based on individualism. They emphasize an altruistic aspect of these terms. Freedom becomes a voluntary subjection to the highest values embodied in the highest aspirations of a collective, be it society or nation, or the universal union of all workers of the world, while human dignity is derived from a degree of selflessness in serving the collective of which the individual is an organic part.

Astounding Historical Paradox

Despite the claims to ethical superiority of socialist concepts of freedom and human dignity, historical evidence suggests that economies based on these principles have in no way performed better than predominantly market economies. Paradoxically,

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the capitalistic systems based ideologically on a rather egoistical motto: from each according to his will to contribute, to each according to his marginal product, have fulfilled the yearnings of men for a higher quality of life and the realization of human dignity much better than their socialist counterparts founded on the romantic and more human credo: from each according to his ability, to each according to his needs.

The reasons for this paradox are manifold and complex. Both the founding fathers of the laissez-faire type of social order and the founding fathers of the American republic had a realistic view of human nature, its relations to power, society and government. They saw individuals as potentially egoistical. One of the principal merits of the social order based on the division of power advocated by Adam Smith and his contemporaries is that "it is a system under which bad men can do less harm." (19)

The assumption of altruistic and perfectible individuals, the superiority of collective ownership, central planning, and governmental control of economic activity underlying socialist doctrines have led to unintended paradoxical consequences. The socialist theorists, fearful of private exploitation, did not envision the possibility of the exploitation of individuals by powerful centralized governments ruling in the name of the collective, or of society as a whole. The attractive slogan "all power to the people" turned out to be in practice, "no power to the people" — but all power to government acting in the name and, presumably, in the interest of the people. Eventual destruction of market forces under such a system leads to severe restrictions of individual economic and political freedoms and to suppression of human rights and aspirations.

The abysmal difference between the utopian promises of the Marxist-Leninist revolution and the grim reality of the regime imposed by it is common knowledge. Marxism-Leninism promised an end to the exploitation of man by man; the greatest freedom to the largest possible number of people; the withering away of the state; an end of colonialism and imperialism; the fostering of brotherly cosmopolitanism; a classless society; the elimination of bureaucratic abuses and an era of abundance for all. What it has delivered is: Exploitation of the masses on an unprecedented scale; slavery to the largest number of people in history; a totalitarian state; the greatest colonial empire on

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earth; oppression of weaker nations by stronger ones; a rigidly stratified class society; the most oppressive and inflexible bureaucracy the world has ever seen; and continual denial to citizens under its control of the level of quality of life they would have attained in a free society. With their freedom reduced to serfdom, the citizens who yearn for freedom and are courageous enough to stand for their rights have a choice between the dignity of martyrdom or the dignity of resistance in the face of overwhelming odds.

Because of their realistic assumptions about human nature, society and government, free enterprise countries have achieved what other systems, based on less realistic premises, promised but utterly failed to attain. The benefits the free market systems have provided their people in terms of quality of life are unprecedented in the history of man. Relying on market forces and peaceful competition and cooperation of all social groups within a democratic political setting of individualism, popularism and pluralism, the USA, the most advanced post-industrial market economy, has built the closest approximation possible to the classless society. Two major factors in market economies contributing to respect for human dignity are the relatively high measure of effective freedom in making decisions affecting the individual's own destiny and the relatively high level of quality of life he can attain with the economic means at his disposal.

Capitalism's greatest strength lies in the powerful incentive to compete, based on healthy self-interest of individuals, in the flexibility and adaptability of its institutions, and in the economic and political freedoms made possible by a free, elective political system based on division of power. Among its weaknesses are lack of automatic macroeconomic controls, the tendency toward the formation of oligarchies and monopolies, and the possibility that self-interest misunderstood and carried too far might severely damage and even destroy the free enterprise system. Moreover, paradoxically, the very success of the system in creating a high quality of life, and a broad range of choices for the people, harbors the danger of all successful orders – they are taken for granted and the forces which sustain their existence are not clearly understood. The resulting indifference and lack of will to defend such an order is reinforced by the decline of competition, separation of ownership from

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control and restrictions imposed on freedom of contracting.(20) In addition, such forces of modernization as the "revolution of rising entitlements," *anomie*, and the decline of the philosophy of individual responsibility are endangering the very foundation on which the free competitive system rests.

FOOTNOTES

(1) Friedrich A. Hayek, *The Road to Serfdom* (Chicago: The University of Chicago Press, 1944), p. 2.

(2) Frank Knight, *Intelligence and Democratic Action* (Cambridge, Mass: Harvard University Press, 1960), p. 34.

(3) For a detailed description of the theoretical framework dealing with this problem consult Oleg Zinam, "The Economics of Command Economies," *Comparative Economic Systems*, Jan S. Prybyla, Ed., (New York: Appleton-Century-Croft, 1969), pp. 19-46; "Cross-Sectional Analysis of Economic Systems: Functional-Structural Approach," *Riviste Internazionale di Scienze Economiche e Commerciali* (April 1974), pp. 312-333, and "Method of Specialized Holism: A Model for the Comparative Study of Socio-Economic Change," *International Behavioral Scientist* (Sept. 1974), pp. 39-56.

(4) Max Weber, *The Theory of Social and Economic Organization*, Henderson Parsons, transl., (New York: Oxford University Press, 1957), p. 14.

(5) Zinam, "Cross-Sectional Analysis of Economic Systems: . . .", pp. 322-325.

(6) For a brief treatment of the quality of life in relation to population problems, see Oleg Zinam, "Optimum Population Concept and the Zero Population Growth Thesis," *Economia Internazionale*, (May 1974), p. 6.," Optimum Population Growth and Quality of Life," *International Behavioral Scientist*, (Sept. 1975), pp. 32 & 34, and "Zero Population Growth, Optimum Population Growth, Optimum Population and Quality of Life," *Journal of economics*, Vol. 1 (1975), p. 69.

(7) Werner Levi, "Economic Development and Human Values," *Readings in Economics and Politics*, Second Edition, H.C.H. Harlan, Ed., (Oxford University Press, 1958), p. 727.

(8) In technical terms if use of control is sub-optimal, freedom (in the sense of controls) and efficiency are competitive goods or substitutes, hence the argument of trade-off. Yet, after the optimum point is reached, freedom and efficiency become complementary and, consequently, less controls would mean more efficiency.

(9) Allan G. Gruchy, *Comparative Economic Systems* (New York: Houghton Mifflin Co., 1966), pp. 224-228.

(10) Henry G. Wallich, *The Cost of Freedom* (New York: Harper and Brothers Publishers, 1960), p. 11.

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(11) Heinz Koehler, *Welfare and Planning: An Analysis of Capitalism versus Socialism* (John Wiley and Sons, Inc., 1966) p. 163.

(12) Joint Economic Committee, U.S. Congress, *New Directions in the Soviet Economy* (Washington, D.C., 1966), pp. X-XI.

(13) Oleg Zinam, "Soviet Russia at the Crossroads," A Paper presented at the meeting of the Ohio Association of Economists and Political Scientists, Worthington, Ohio, March 1967.

(14) Hayek, *The Road to Serfdom*, p. 26.

(15) Ibid., p. 92.

(16) H. J. Laski, *Liberty in the Modern State* (Pelican Edition, 1937), p. 51.

(17) Ibid., p. 293.

(18) Milton Friedman, *Capitalism and Freedom* (Chicago: The University of Chicago Press, 1962), p. 200.

(19) Friedrich A. Hayek, *Individualism and Economic Order* (Chicago: The University of Chicago Press, 1948), pp. 11, 12.

(20) Joseph A. Schumpeter, *Capitalism, Socialism and Democracy*, (New York: Harper and Brothers, Publishers, 1947), pp. 140-142.

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SOCIAL ENGINEERING VIA "LANGUAGE GUIDELINES": AN EXAMPLE OF OCCUPATIONAL BIAS AMONG INTELLECTUALS

By Barry D. Baysinger

Professor Thomas Sowell of UCLA has recently presented an analysis of the role of intellectuals in the public policy process which suggests that a Philosopher Kingdom would be rather less than ideal. (1) Stated more succinctly, it appears that the wealth and freedom of a society may vary in inverse proportion to the extent that political control is directed by intellectual "experts." Intellectuals make their livings from the production and transmission of highly formalized ideas. They are specialized in the generation and use of highly articulated forms of knowledge. Therefore, they tend to look down upon other less articulated, though not necessarily less useful, forms of knowledge, and to promote social institutions which require articulated rationality for their successful operation. According to Sowell's analysis, the downfall of the Philosopher Kingdom is assured by the fact that some of the most useful knowledge in society is that which exists in unorganized forms.

Preferred Forms of Knowledge

As Professor Hayek observed long ago, the basic economic problem of society concerns the ability to direct highly dispersed but useful knowledge to the points where decision making takes place. (2) Once the goal of maximizing the subjective value of given resources, as perceived by free individuals, is accepted as a norm, it becomes crucial that accurate information about changing preferences and relative scarcities be effectively transmitted to those responsible for reacting to such changes. Hayek called this information the knowledge of the particulars of time and place. The people who deal in such knowledge are men of commerce or trade, not intellectuals.

Since scientific knowledge exists only in highly formal, organized and articulated forms, it stands to reason that it will be championed by those in society who earn their rewards from the production of this type of output. As a corollary to this conclusion, it may also be the case that intellectuals will prefer

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systems of social decision-making which rely upon highly articulated forms of knowledge, since they are accustomed to

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subjected to tests which exhibit certain probabilities of statistical error. For the professional intellectual the imperatives of cognitive validity militate against the possibility of conclusions which will be useful in real political time. As a result, intellectuals who are concerned about policy relevance will have an incentive to simply make up sweeping conclusions based on little valid evidence in order to reap the rewards society tends to heap upon its athletes, war heros, and movie stars. Intellectuals, according to Sowell, do not want to be left out.

Implications for Preferred Social Institutions

Sowell concludes that intellectuals will prefer *methods* of social change which rely upon the dissemination of highly articulated ideas from the top of the social pyramid (from the "expert élite") to the "ignorant masses" below. Professors are accustomed to conveying their views to their classes, the members of which most often simply accept unquestioningly what is transmitted. This works nicely when solutions to problems are already well known. It works less nicely when the solutions are incomprehensible to a single mind, as in the case of allocating scarce resources in an economy consisting of more than 100 or so persons. The solution to the problem there lies in relying upon the application of unarticulated knowledge (prices) to relevant decision-making points, not articulated planning. (4)

An illustration of the potential dangers of intellectual bias as manifested in policy-making may be found in current efforts to encourage the adoption of specific language concerning alleged "sex bias" usage guidelines in written discourse. Without debating here the moral virtues of efforts to eliminate "sex bias" itself, we would seek to question the validity of intellectually determined procedures which have been applied by the editors and publishers of books and scholarly journals during recent years, to evaluate the "sex bias" of submitted manuscripts.(5) What these procedures seek to do is impose a standard of usage which presumes to be correct with respect to the progress of women in professional society. Again, our purpose is not to determine a "proper" usage, contrary to either current usage or "suggested" usage, but rather to demonstrate that such guidelines are in fact only a manifestation of the preferences and the occupational class interest of those who have promulgated

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them, with no claim to be regarded as valid knowledge about objectively "correct" usage.

Non-sexist Communication

Efforts to promote the equal treatment of men and women in verbal communication have resulted in an extensive literature on the subject as well as the publication of a variety of guidelines for nondiscriminatory communication. The McGraw-Hill Book Company, for example, recently adopted a set of guidelines for its authors concerning the equal treatment of the sexes. Presumable, *in the future*, manuscripts submitted to editors at McGraw-Hill will be evaluated not only with respect to content, but also with respect to the "proper" use of gender-specific language as well. The application of such guidelines to the evaluation of professional, scholarly discourse suggests several things.

First, it suggests that the way language is used has a significant impact on the process of social change. Second, the publication of guidelines concerning the equal treatment of the sexes implies that the usage of the English language currently employed in scholarly discourse and research is defective (according to the standards of those setting the guidelines) because it is believed to be impeding the success of the "women's movement." Third, it seems to indicate that those who adopted these rules have sound knowledge of a superior form of usage, i.e., one which could be beneficial to women as a conceived class. I will argue that the second and third of these implications are objectionable since the knowledge of what is proper and improper in language may simply be beyond the grasp of a single mind or of any group of minds who see themselves as above the process which generates particular social outcomes. To believe otherwise is a presumption that is harmless as long as it is not made part of the policy-making process. Such is not the case with sex usage guidelines, as will be demonstrated. Therefore, there is a danger, both to the vitality of the language and to the supposed benefactors of such a policy, in the promulgation of such guidelines. This is especially true if they become widely adopted as national policy, a possibility that is clearly not inconceivable.

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Effecting Changes in the Language

The evolution of language is somewhat analogous to price setting in a perfectly competitive market. Readers with some exposure to economics may recall that in perfectly competitive markets every producer and every consumer takes market prices as given, and adjusts behavior accordingly. However, a moment's reflection will reveal that if this is so, prices cannot exist since no one is "left over" to set them. (6) Of course, even in what we think of as highly competitive markets, prices are always set by human agents: someone must put a sign on the bananas telling others that they are three pounds for a dollar. The evolution of language usage follows a similar pattern: somebody has to change the "thee's" and "thou's" to "you's," even if language is said to have evolved, rather than having been planned consciously.

Presumably, the language we use today is different from the language we used a hundred years ago, because useful adaptations have occurred. That is, modern American-English is a more useful vehicle for communicating contemporary thoughts than previous versions because it has somehow evolved in an adaptive manner. Understanding this, the pertinent question is *not* whether or not we should permit change in a language: we must. The only question which naturally arises concerns the proper (as i.e., most adaptive) form which human action may take vis-a-vis the evolution of language. Two broad categories may be identified for consideration. Although a professional linguist may supply a more precise terminology, these can be identified as change inspired from the "top down" and change arising "from the bottom up" approaches to effecting usage changes.

The Social Engineering of Change: The "Top Down" Effect

The "top down" approach suffers the same propensities to error which occur whenever human beings attempt to apply engineering principles, which are often successful in the context of purely physical systems, to the process of social change. In engineering, the answers to general problems are known in advance and are applied, with considerable art, to new problems as they arise. But in social processes the basic problem is that the solutions are not known by any one mind in advance because the information required to solve problems is highly

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dispersed. Unlike a physical engineer a social engineer must necessarily guess about correct solutions to social "problems." Moreover, the social engineers' *raison d'être* is the presumption that individual private action is either incapable of effecting social changes which are adaptive in an absolute sense, or is incapable of effecting adaptive change at a rapid enough pace. In either case social engineers (e.g., by intellectuals as an occupational class) find their vocation in substituting outcomes they believe to be correct, either absolutely or temporally, for those occuring through individual action alone. This may be a useful social function as long as the informed guesses made by social engineers are simply offered up for approval by those affected by change.

If social engineering is to improve upon the outcomes occuring as the result of individual action, the outcomes consciously chosen by social engineers must be better than what has been replaced, and the improvement must be subject to objective measurement. If not, there is absolutely no way for us to distinguish between outcomes which are truly better (i.e., adaptive), and those which are merely bad guesses. Unfortunately, in social systems, data required for objective measurement is often unknowable, since the data that is important is the particular knowledge of circumstance possessed only by dispersed individuals.

Since no single mind can hope to possess all the "social knowledge" known to all other individuals, let alone assimilate such information as the basis of imposing superior outcomes, the propensity to error found in the "top down" approach is a simple matter of arithmetic: many outcomes are possible; only one is correct. Since the single outcome imposed by the social engineer is necessarily based upon incomplete information, it must be of necessity be treated as a guess. Given this, there is no way to determine, *a priori*, whether the choice of outcome to be imposed upon society represents the simple preference of the chooser, or something legitimate.

An Illustration

Assume that medical doctors have an absolute preference for finding ways to promote good human health. Also assume that a hundred years ago genetic engineering was a feasible technology, but that medical knowledge was otherwise the same as it

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actually was then. One hundred years ago doctors believed that tonsils were vestigial organs that had no effect on health unless they failed; i.e., their function could either be irrelevant, or harmful. Given their understanding of the function of these organs, and their capacity for genetic engineering, well-intentioned doctors may very well have engineered future generations of humans to be tonsil-free. Today's doctors have reason to believe that tonsils serve a filtering function for the body, i.e., are not either neutral or harmful, but useful, and engineering the tonsilless body might therefore have been a mistake. However, the fact that, under given assumptions, doctors *could* have engineered an error does not necessarily mean that they *would* have done so on a massive scale.

Perhaps some doctors would have recognized the propensity to error associated with imposing the tonsil-free outcome. Even with the technology to engineer the tonsil away, someone might have suggested a medical experiment: remove tonsils from those who wish it and see what happens. This is a radical departure from the policy of imposing the genetic removal of tonsils upon everyone. Thus, even if it were possible to genetically engineer tonsil-free humans, we might not have tried it given the inherent dangers of that approach. The lesson found in this contrived example may be applied to social engineering in general, and the evolution of language in particular.

The Social Hypothesis: the "From-the-bottom-up" Approach

Instead of imposing social outcomes hased upon data which, in social systems, is necessarily incomplete, outcomes may be presented as hypotheses and tested. Anyone who believes that a particular social process or outcome is improper simply may suggest the propriety of an alternative outcome or process, as well as a way of bringing this alternative about. In such circumstances it matters not in the least that the proposed outcome represents simply what the proposer prefers. The objective test is found in the voluntary acceptance of the alternative outcome by those individuals affected by the proposal. Those with the belief that their alternatives are superior to the outcomes of uniformed individual action suggest changes rather than impose them from the top. Through their acceptance, on the basis of the information provided, those at the bottom impose the outcome upon themselves through voluntary choice. This is the

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social hypothesis, or "from the bottom up" approach.

In the social engineering approach to effecting change, the propensity to error is the same as the propensity to do harm; in the social hypothesis approach suggested here, the propensity to error is unchanged, but the propensity to do harm is reduced, since errors can be rejected quite easily. These general remarks are applicable to the use of language guidelines since this editorial policy bears all the marks of social engineering via the "top down" approach.

The Usage "Guidelines"

Recall that social engineering involves the imposition of outcomes which differ from those generated by individual action, and that these engineered outcomes are necessarily based upon incomplete data. As a result, one can often identify a socially engineered outcome by the absence of an authenticated fact-base to support it. The outcomes of individual action that the social engineer prefers are prescribed; those the engineer does not prefer are proscribed; and both actions are taken on the basis of simple assertions about their correctness, rather than fact. Predictably, the assertions may appear perfectly correct to the social engineer (for the well-intentioned engineer this is necessarily true), and ridiculous to others, especially those subject to the imposition. Reference may be made to "Guidelines for Equal Treatment of Sexes" used by McGraw-Hill, for illustrative purposes. (8)

Quite early in the presentation of the "Guidelines," the following statement appears: "Men and women should be treated as people. and not primarily as members of opposite sexes. Their shared humanity and common attributes should be stressed – not their gender difference." Shortly thereafter the "Guidelines" mandate that, "Women and girls should be shown as having the same abilities, interests, and ambitions as men and boys." The point to be made here is that these novel conventions are imposed without support from fact-based analysis. They are only sweeping generalizations which *may be* correct (i.e., represent a superior value-system or mode of communication), but they may just as well represent the simple preferences of the individual imposing them.

It is only when we arrive at the fourth paragraph that any attempt is made to legitimize the prescriptions and proscriptions

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which have been handed down thus far in an intellectual vacuum. It is here that the social engineering aspect of the "Guidelines" is demonstrated most clearly:

> The word *man* has long been used not only to denote a person of male gender, but also generically to denote humanity at large. To many people today, however, the word *man* has become so closely associated with the first meaning (a male human being) that they consider it no longer broad enough to be applied to any person or to human beings as a whole. Therefore, alternative expressions *should be* used. (emphasis added)

Here is the heart of the trouble with social engineering. As indicated above, effecting social change from the top is difficult because the data required for evaluating, *a priori*, the success of any change exists only in the minds of dispersed individuals. Only individuals have the particular knowledge of circumstance required for evaluating the potential success of any outcome. This information is "revealed" only through the behavior of individuals as they react to the change. Of course, the imposition of change must appear to have a basis in objective fact if it is to have at least the appearance of legitimacy. Thus we have the phrase in the above cited quotation, "many people today." This is the sole fact-base upon which the authors of the guidelines seek to found an imposed and radical change in English usage.

On an analytic basis, there is absolutely no difference between the quantity "many people," and the quantity "me." The mind which is unable to make that not-so-fine distinction, yet has the authority to affect something as important as language usage, evidences a certain degree of moral obtuseness that is highly discomforting. Consider the following statement, a logical equivalent to the above quotation:

> To many people today the world *black* has become so closely associated with the phenomenon of urban crime that they consider it no longer desirable that blacks be allowed to remain in their country. Therefore, alternative countries of residence for blacks should be found.

But do the *majority* of people actually seek to place blacks in separate countries of residence? I am sure the descriptive part of the statement is as true (i.e., that *to many people* the word black has become associated with crime) as its counterpart in

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the statement quoted from the "Guidelines." But while both proposed policies can be adversed as possible courses of action, the implied suggestion that the majority are demanding the proposed policies has not been analytically demonstrated. A minority of one and a minority of 49 percent is still a minority. Using the quantity "many" as the basis for imposing a change in policy is tantamount to effecting such a change on the basis of personal preference alone. If the social engineer is absolutely sure he is correct, why the appeal to the "many"?

One could easily state that: many people today have come to the conclusion that the current treatment of the sexes in written discourse is fine, therefore we should maintain the status quo. And one would be just as much on thin ice as the author of the "Guidelines," at least from the perspective of a scientific authentification of the proposal. If many people count they must count in all contexts. The social engineer means to say, "I am of the opinion that using the word 'man' has harmful effects, though this is a personal opinion." The appeal to the many is simple hand-waving and little more. When such opinions are offered as social hypotheses, little harm will come of it. But when imposed from above as policy (editorial here, public or social in other contexts), error translates into problems for affected groups.

Language and Social Progress: Outcomes vs. Intentions

If the "Guidelines" are to serve a purpose, they must represent a change in the use of language that improves the ability of words to communicate reality. The "Guidelines" contain provisions which may be directly opposed to this end. Take for example the aforementioned prescription that, "Women and girls should be shown as having the same abilities, interests, and ambitions as men and boys."

If this is true, then it is clear that any continuation of the currently skewed distribution of high-level jobs between men and women must be due solely to the power men have in keeping women in the lower ranks. While it is no doubt true that some part of reality can be explained by this hypothesis, it is not clear that other factors do not significantly come into play. If it were true that today women have the same distribution of abilities, ambitions and interests as men, then it would also be true that today corporate efficiency is not as high

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as it could be. Given this, managers could not be completely indifferent to the impact supposed sex bigotry was having on profits. That is, to the extent that capital markets impose constraints on managerial behavior, profits must be attempted to by managers. If bigotry reduces profits (which it must else it is not bigotry), managers cannot afford to be bigots. At least some of the reality of the persistent skewed distribution of responsible positions *may* be explained by the differences between men and women in the distribution of interests in business, and ambition. If professional researchers cannot even recognize the possibility that, for a variety of reasons, distributions of ability, interests and ambition differ across the sexes then what must occur is an attempt to change society without a full or proper understanding of the overall causal nexus. Such activities will not aid social progress.

Summary and Implications

The evolution of an adaptive, useful language, like all social evolution, is a complicated affair. The data required to effect useful changes is very often beyond the comprehension of a single mind. Yet effecting change is something that must be accomplished by human action, since it does not simply "occur." The only real choice is over the method by which change will be effected.

There is no doubt that individual action from the bottom up is at least capable of effecting changes in the language we use to communicate ideas. In fact, it is one of the tasks of lexicographers to keep up with the changes that constantly occur this way. Formalizing the acceptability of a new usage by including it in the latest edition of the dictionary is clearly not at all the same as imposing that new usage on society. Of course, the operation of individual action as a means of improving the ability of language to communicate meaning is not infallable. When the failure of such action is recognized, two courses of action are open to facilitate change.

Individuals who believe they have discovered a superior alternative to current usage may suggest the substitution of what could be, for what is. This takes the form of a social hypothesis which may be accepted or rejected by the actions of individuals on the basis of the new information supplied. In this way, the appropriateness of the proposed change is ascertained

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by the voluntary actions of the individuals involved. This is a form of majority consent. The alternative to this is simply to impose one's preferences upon other affected individuals through the promulgation of binding rules or guidelines. Such social engineering is prone to convert error, which is inevitable in such matters, to harm, which is avoidable.

Thus, "Guidelines" may be seen as the outcome of a process of social engineering rather than the presentation of a hypothesis about the possible benefits of a change in the use of language regarding the treatment of the sexes in professional writing. These guidelines bear the same relationship to freedom of action in intellectual discourse as do the recent Carter Administration's Wage and Price Guidelines to freedom in the marketplace. In either case the individuals to whom the "voluntary" or "suggested" rules apply are left perfectly free to do what they please as long as they are willing to suffer the consequences. But perhaps the "Guidelines" are correct and represent an outcome which the academic community would have imposed upon itself given information about the impact of current usage on social welfare, or given the passage of time. While unlikely, that is really off the point. Because the solution was engineered, objective appraisal via the voluntary acceptance of the new usage is impossible to obtain. The fact that writers adhere to the guidelines does not necessarily mean that they are acceptable to most writers, it may only mean that standards will be occasionally compromised for other rewards.

The measures found in the "Guidelines for Equal Treatment of Sexes" suggest that the course of social evolution can be affected by the structure of the language professional writers use to convey their ideas among themselves. This may or may not be true, but the fact that these guidelines have been implemented suggests very strongly that someone at McGraw-Hill, *et al*, believes this to be the case. Once the idea catches hold, it may be but a short time before the granting of federal school subsidies, contract awards, NSF Grants, etc., hinge upon meeting some "Federal Sex Usage Guidelines."

The purpose of this paper has been to suggest that such a policy would be fraught with dangers which, though never fully understood, should be no less of a concern for this fact. Responding to the limits of articulated rationality is something ordinary people do all the time. That is why institutions arise. Intellec-

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tuals, as an occupational class, may be generally hostile to evolutionary solutions, since they require a smaller role for intellects, making them less "relevant." But there is no reason to believe that the private satisfactions of intellectuals and the advancement or protection of the public interest are highly correlated. As Professor Sowell points out, the opposite may be the case.

FOOTNOTES

(1) Thomas Sowell, *Knowledge and Decisions* (New York: Basic Books, Inc., 1980), pp. 231-68.

(2) F. A. Hayek, "The Use of Knowledge in Society," *The American Economic Review*, Vol. 35, (September, 1945), pp. 519-30.

(3) This is the Hayekian notion of spontaneous order; i.e., that order does not require conscious design.

(4) Hayek, *id.*

(5) *Addendum to Style Guide for Authors: Academy of Management Review*. Academy of Management Review, July, 1976, pp. 150-52.

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Persing, Bobbye Sorells. *The Nonsexist Communicator*. New York: Communications Dynamics Press, 1978. (P.O. Box 555, East Elmhurst, N.Y. 11396).

(6) K.J. Arrow. "Toward a Theory of Price Adjustment." *The Allocation of Economic* Resources, M. Abramovite et al., eds (Stanford: Stanford University Press, 1959) pp. 41-51.

(7) The role of social scientist as presenter of social hypotheses is discussed by James Buchanan, in "Positive Economics, Welfare Economics, and Political Economy," *Journal of Law & Economics*, Vol. 2 (1959), pp. 124-38.

(8) See Footnote 6, *supra*, for citation.

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THE DOCTRINE OF "SOCIALIST REALISM"

By Edward Jamosky & James Robinson

Of all the arts, literature is, perhaps, the most powerful in its ability to reflect and guide the society in which it is created. Great writers not only give the values of a society a concrete form but they also can change those values. Literary figures are models of what can be as well as personifications of what is here and now. Certainly the old cliche about great artists being ahead of their time means not only that artists are more sensitive to social directions already in process but that they are influential in creating new directions.

The Marxist leaders of the Soviet Union are well aware of the power of literature to pave the way for revolution. They know that the French writers of the Enlightenment had considerable impact upon the French Revolution. The great men associated with the American Revolution, such as Benjamin Franklin and Thomas Jefferson were not only literary figures in their own right but were inspired by the writings of Locke and Montesquieu. Similarly, in Russia the leftist oriented intelligentsia helped lay the groundwork in their literary productions for the Russian Revolution of 1918.

Marxism and Literature

Marxist literary analysis lays great emphasis upon the social context of literature, its class origins and functions, and its ability to reinforce present values or posit new values and directions. Lenin and others used such terms as *klassovost'*, "the class character of literature," *narodnost*, "the popular character of literature" or perhaps more precisely "its ability to appeal to and reflect the masses" and *partiinost*, "the character of being in the service of what Lenin called "the politically aware vanguard of the working class," i.e., the Communist party.

Since literature is a powerful force, both in the reinforcement of social values and in producing social change, it follows that any society, such as the Soviet Union, aspiring to bring all of human life into a particular pattern (call it 'totalitarian' if you will) would take an active interest in literary productions. In theory the doctrine of socialist realism, where artistic endeavor

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and this active social interest intersect, is the literary mode most appropriate to the new society. Socialist realism in practice is an attempt by the government to subject literary production to a systematic program of social control.

The complexities of Socialist Realism have not been appreciated in the West, for despite Russia's three centuries of aspirations to be a "Western" country (one recollects the French affectations of the Russian nobility), the Russian literary tradition is quite distinct from the literary tradition of Western Europe and America.

For example, the Russian literary tradition has a very strong didactic element and function which is quite out of fashion in the West. Old Russian literature abounds with "hagiography," the lives of the saints, replete with moral lessons to be learned from those pious lives. While one finds such literature in the West, it did not have the length of vogue it has had in Russia. In the eighteenth century, critics speak of Russian literature as "didactic and imitative" because it copies classical Greek and Roman literature as "technically objective yet charged with social messages." (1) One need only think of the late Leo Tolstoy and his novel *Resurrection.*

To understand socialist realism, it is necessary to define its salient features and to point out its role in the broader system of thought in the Soviet Union. This is actually more difficult than one might suspect, for while the historical antecedents and the salient documents about Socialist Realism i.e., Lenin, Gorky, Zhdanov et al. have often been cited in Western discussions of the doctrine, there has been precious little in the way of a systematic statement of it as a philosophy, despite the fact that men like Zhdanov can become fiercely abusive at the transgressions of its doctrines.

In order to better understand what socialist realism is, it would be best to look at its historical origins, and then later try to formulate its canons. What we are attempting to do in this paper is such a systematic treatment of Socialist Realism as an official doctrine of the Soviet government in contrasts to the literary doctrines of the West.

Historical Origins of Socialist Realism

Though the term "Socialist Realism" does not become prominent until the 1920's in Russia, the roots of the concept go

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deep into the nineteenth century. Lenin's 1905 article "Party Organization and Party Literature" is often held to be the seminal piece on the Marxist view of literature but Georgi Plekhanov had earlier made an attempt to form a theory of literature from a Marxist point of view.

For Plekhanov, art and literature develop as the society develops; they are conditioned by the inevitable class struggle and reflect that struggle in an ideological form. At the outset of his volume *Art and Social Life*, he contrasts what he considers the two most prevalent views of art: the first says that art is an end in itself and so to convert it into a means of achieving any extraneous aim, even the most noble, is to lower the dignity of human production; the second view says that the function of art is to assist the development of human consciousness and to improve the social system. (2) The first may be called the "aesthetic" view and the second the "utilitarian" view. Of these two views of art, while citing the arguments for each, Plekhanov comes down firmly on the utilitarian side, citing not only the prominent Nineteenth century Russian critics Belinsky, Chernyshevsky and Dubrolyubov, but many of the early poets themselves. Art was indeed to reproduce life and pass judgement on its phenomena.

Plekhanov was particularly interested in exploring the question of which social conditions gave rise to the utilitarian view and what conditions favored the more aesthetic view. He came to the conclusion that under the social conditions associated with revolution, artists became quite committed to the struggle, creating works with explicit themes of "freedom" and "social liberation." (3) The artist was a utilitarian because he felt that he had a meaningful role in forming the new revolutionary consciousness. When a revolt failed, he claimed, the artist lost faith in the utilitarian point of view and retreated into aestheticism. Explicit social themes seemed, at best, futile and perhaps even dangerous; the artist no longer saw the broader context of his activity so it became an end in itself. (4)

Plekhanov cited many examples of these phenomena. During the reign of Alexander I, Pushkin was a "civic" poet and a proponent of the utilitarian view of art. The early Pushkin wrote the ode "Freedom" on the subject of the denial of freedom in Russia, while living in a milieu of progressive aristocrats and intellectuals. The activity of these progressive aristocrats

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culminated in the Decembrist revolt of 1825 inspired by the ideas of the French Revolution. After the Decembrists were suppressed, Pushkin wrote no more "civic" poetry but began an art-for-art's-sake period.

During the revolution of 1848, many of the French artists who had held to an aesthetic view of art, emphatically rejected it during that socially critical period. Even Baudelaire, that very epitome of the aesthete, had called the theory of art-for-art's-sake *infantile* and it was only the triumph of the "counter-revolution" that forced Baudelaire to return to the aesthetic outlook. So Plekhanov concludes what the doctrine of Socialist Realism would later take for its own canon, that in the revolutionary socialist society, art must serve the social struggle. (5)

A Weapon in the "Class Struggle"

Lenin's article "Party Organization and Party Literature" actually formed the embryo for the doctrine of Socialist Realism, though that was not his intention in writing the article.(6) He had a more limited concern – literary activity among the Social Democrats, as the Marxists were then called. His point was a relatively simple one: the socialist proletariat must evolve a literary tradition clearly distinct from the literary attitude of the bourgeois culture. Lenin also emphasized that literature and literary activity for the Party are not ends in themselves but rather must serve as tools to advance the socio-political cause of the proletariat. Though literary activity cannot be subject to mechanical adjustment and must allow considerable scope for personal initiative and creativity, it must function as "a cog and a screw" in the mechanism of the working-class movement. (7) For Lenin, literature was not autonomous, indeed the whole idea of literature apart from class conditioning was ridiculous, so the literature of the Social Democratic party must become a weapon in the class struggle. "Down with non-partisan writers!"

Lenin, of course, is calling for party discipline, what would become known as *partiinost*, "party-mindedness." He did not specify what themes were to be used or how they should be handled; his was a more practical concern, i.e., maintaining order and commitment within the party. While explicitly affirming the rights of free speech and writing, he invokes the principle of free association as a counter-balance. Those associ-

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ated with the Party might speak and write as they please but the Party was free to cut them off from the organization if they put forward "anti-party" views.

> Everyone is free to write and say whatever he likes, without any restrictions. But every voluntary association (including the party) is also free to expel members who use the name of the party to advocate anti-party views. Freedom of speech and the press must be absolute but so must the freedom of association. . . . The party is a voluntary association which would inevitably break up, first ideologically and then physically, if it did not cleanse itself of people advocating anti-party views. (8)

The Social Democrats and Literature

The context of the article is rather important, considering the uses to which it was put in later times, particularly by Zhdanov and others. In 1905, the Social Democratic Party, as the Communist Party was then called, was just beginning to come to prominence in the wake of the 1905 revolt and its suppression. It was far from being a major force in society but rather was one political group among many. So Lenin's position on literature produced under the auspices of the Party appeared to be politically reasonable. Literature produced by the Party should conform to Party principles; if the author did not care to conform, he should leave the party for a more congenial group.

But what was reasonable in 1905 when the Social Democrats were one group among many takes on a much different coloration when, after the 1918 Revolution, the Social Democrats, now the Communists, controlled the entire apparatus of the state. The insistence that literature be inseparably linked with the social struggle of the working classes now became state policy. Freedom of speech and the press, freely conceded in 1905, became meaningless when all media of public expression had become party media. The discipline inherent in the principle now predominated because there were no longer alternatives to party association if the author wanted his writing to see the light of day.

The period following the Russian Revolution of 1918 was much less monolithic than has been supposed in the West. Even within the Communist Party, there were many different trends,

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political and artistic. A struggle broke out over the so-called "Proletarian Culture movement" or to give it its typically Russian abbreviation, the *Proletcult*.

The Proletcult

The Proletcult movement was especially articulated by an associate of Lenin's named Bogdanov, (9) who took a particular part of the Marxist aesthetic and made it a central focus of concern. He believed that art organized social experiences, cognitions and emotions, by means of living images. As a consequence, it was a most powerful weapon for the mobilization of "collective forces" such as the working classes. Art served to articulate the collective outlook and aspirations and hence could direct the energies of the people.

The Marxist critics had pointed out the class nature of art, that artists, often unconsciously, reflected the social and economic conditions in which they brought forth their creations. In a real sense one could talk of feudal art, of bourgeois art and, by extension, of proletarian art. Indeed Lenin in his 1905 article had suggested that such a thing as proletarian art, distinct from bourgeois art, would arise, and Bogdanov was particularly eager to get started on it.

With many others, Bogdanov envisioned the Russian Revolution as the complete triumph of the working classes and the practical abolition of the bourgeois element in Russia. (10) A whole new culture would arise with an entirely new basis.(11) He envisioned a network of "Proletarian Culture Institutes" directly connected with factories and collectives through which the proletariat would develop its own art. (12) These institutes had two purposes: first to educate the working class in the techniques of literature, rhythm, metrics, the techniques of dramaturgy, etc., acquainting the workers with the artistic and literary heritage of the past from a working class point of view. The second purpose was to produce proletarian artists and to give them a vehicle for the expression of their ideas. Such institutes were established and actually flourished in many regions, particularly during the early twenties. At the height of this movement there were over 400 Proletarian Culture Institutes with a total enrollment of 80,000 workers.

Yet from its inception, the Proletcult movement met with determined opposition in the Communist Party itself, particu-

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larly from Lenin and Trotsky. This opposition was both philosophical and practical, and Lenin, who had formerly been very friendly to Bogdanov, more and more turned away from him.(13)

Lenin's philosophical reservation rested on the fact, obvious to the practical revolutionaries but quite obscure to the visionaries, that every phase in the development of a culture must have some roots in the past. It is impossible for a totally new "proletarian culture," completely free of bourgeois influences to arise *ex nihilo*. (14) If such a culture were at all, it would require generations of development. This does not mean that there would not be radical changes in the culture, but that the process would be much more complex than trying to make factory-workers into assembly-line Pushkins. The new proletarian culture would have to be built on the foundations of what went before it. As Lenin said in his draft resolution on the Proletcults:

> Marxism has won its historical significance as the ideology of the revolutionary proletariat because, far from rejecting the most valuable achievements of the bourgeois epoch, it has, on the contrary, assimilated and refashioned everything of value in the more than two thousand years of the development of human thought and culture. Only further work on this basis and in this direction, inspired by the practical experience of the proletarian dictatorship as the final stage in the struggle against every form of exploitation, can be recognized as the development of genuine proletarian culture. (15)

But Lenin was motivated by more practical fears as well. For Lenin, revolution did not free everyone to do as he or she liked. The cutting edge and guiding spirit of the revolution must remain the firmly disciplined Communist Party; otherwise counter-revolutionary forces would be able to capitalize on the weakness born of dissent. Bogdanov had strongly emphasized that the Proletcult movement should be independent of the party and should flourish on its own, independent of State control. For Lenin, this was anathema. Already Lenin and others were seeing "deviations" in such artistic movements as Futurism, with its contempt for the past and its often bizarre use of language, or Cosmism, with its naive glorification of modern technology. Such trends were flourishing in the artistic atmosphere encouraged by Bogdanoc and his school. It was the

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intent of the Central Committee Letter "On the proletcults," written in 1920, to bring this movement to heel. (16)

This letter of 1920 embodied a resolution which was to shape future state policy. The Party recognized that there was indeed some value to the Proletcult idea but that the institutes must be controlled and guided by the larger interests of the Party and not be permitted to function as independent entities. The Proletcult was to be subordinated to the People's Commissariat of Education directed by A. V. Lunacharsky, a man not unsympathetic to Bogdanov but somewhat closer to Lenin's way of thinking. Though, in theory, the Proletcults were to be guaranteed complete autonomy in the field of artistic creativity, the works of the Proletcult were to be guided by men of acknowledged ideological purity.

Lunacharsky proved to be the bridge to the more fully developed theory of socialist realism arising in the thirties, by which time the Proletcult movement had petered out. But the Proletcult movement had laid the cornerstone of socialist realism through its insistence that literature had a special revolutionary task and that such revolutionary proletarian art would have its own distinctive characteristics, free from the influences of the West. Art would have as its principle function the education and mobilization of the masses.

Marxim Gorky

In the 1930's the concept of socialist realism as the appropriate artistic mode for proletarian culture took on more specific form and content. One of the most prominent figures in this mode is the writer Maxim Gorky. In his essay "On Socialist Realism," written in 1933, he emphasizes that literature is a dynamic art and hence is admirably suited to portray struggles between classes as well as between individuals. (17)

Like all persons, Gorky said, the artist is caught up in the great social struggle against the exploiters and this struggle must be carried on in literature. Gorky says that the Soviet must be simultaneously a midwife to the new order and a gravedigger to the old. He exhorted the young writers not to take the easy course of denouncing the past. That was the "line of least resistance," and carried with it the insidious danger that the "evils" of the past had their own perverse fascination which could be transmitted by literature, even unintentionally. Instead

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Gorky urged the writers to turn to the present achievements of the working class for themes, such as the building of towns and cities, the mastery of the environment, and the exploitation of resources for the benefit of the masses:

> If the poisonous grinding baseness of the past is to be revealed and comprehended fully, it is essential to develop the ability to look upon it from the height of the achievements of the present and the noble goals of the future. Such a view from above must and will evoke a proud and happy enthusiasm that will impart a new tone to our literature, aid it to create new forms and evolve the new school it needs – *socialist realism* – which can be based only on socialist experience. (18)

Zhdanov

In August 1934, the first pan-Congress of the new Union of Soviet writers met in Moscow. The keynote address of this congress was given by Andrei A. Zhdanov, a high-ranking Soviet Communist Party leader, who had been a member of the Central Committee since 1930 and had just succeeded the assassinated Kirov as head of the party organization in Leningrad. (19)

From this keynote address may be extrapolated many of what were to become the principle canons of Socialist Realism, the principles or laws on which it is based. Soviet literature depicted as the youngest of all literatures in the world, but was also the "richest in ideas" (samaja ideinaja), the most progressive and the most revolutionary. (20) Struve quotes Zhdanov's definition of Socialist Realism:

> Comrade Stalin describes our writers as engineers of human minds. What duties does this title impose upon you?
>
> It means, above all, to know life in order to depict it truthfully in works of art, to depict it not scholastically, not lifelessly, not just as "objective reality," but to depict real life in its revolutionary development. In so doing, truthfulness and historical concreteness with the total of ideological remolding and re-education in the spirit of socialism. This method in fiction and in literary criticism is what we call Socialist Realism . . . .
>
> To be an engineer of human minds means to stand with both feet firmly planted on the ground of real life. This, in

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> its turn, means breaking away from old type romanticism, from that romanticism which depicted nonexistent life and nonexistent characters, diverting the reader from the contradictions and oppressions of life into the world of Utopia. Our literature . . . . . must not shun romanticism, but it must be a romanticism of a new type, revolutionary romanticism . . . . Soviet literature must know how to portray our heroes, it must be able to look into our tomorrow. (21)

After World War II, or The Great Patriotic War as the Russians prefer to call it, Stalin desired to reimpose the strict controls on literary and artistic activity which had been loosened during the war. Zhdanov was particularly prominent in the reassertion of this authority. The campaign began with an attack on the two journals *Zvezda* and *Leningrad*. Zhdanov criticized them in the harshest terms for publishing Zoshchenko's "Adventures of a Monkey," which according to Zhdanov ridiculed the Soviet people and emphasized the negative aspects of Soviet socialist life while ignoring the positive achievements.(22)

For Zhdanov, socialist realism is, above all, conforming to the Party line, but he does provide some positive content. Socialist realism depicts life truthfully but also with a commitment to portraying the revolutionary potential of life; it is not the literature of objective detachment. In other words, socialist realism is the historical exactitude of the artistic image linked with a socialist ideological perspective leading to the education of the working class in the spirit of socialism. Socialist realism is opposed to the sort of romanticism which is fantasy and escapism but can be considered "romantic" in that it reaffirms the sense of the heroic in portraying the efforts of the toiling masses.

After the death of Stalin, literary control was not so brutally applied as before but socialist realism remains the defining principle for artistic activity in the Soviet Union.

Salient Features of "Socialist Realism"

With this historical background, we may now take a closer look at some of the salient features of socialist realism and analyze the principles or canons by which it operates. We may do so by considering three closely intertwined aspects: its form or mode which is realism, its content which is socialist and its

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function which is didactic.

We may begin by making a couple of very elementary observations. "Realism" in the arts is the theory that art should give a truthful picture of human life. While the definition of what is a "truth" is debatable, Marxists regard Marxist socialism as the most "progressive" social form: it is deemed to have the least distorted view, so "socialist" realism is that realism which has a socialist outlook and content. Realism is the most appropriate mode for art because the function of art in a socialist society is to teach socialism or to inspire people to become better socialists. This is the skeleton of socialist realism.

Now let us flesh out the bones a bit. We pointed out at the very beginning that by its very nature, art is a social force because art gives the values and perceptions of a society a concrete form. All art communicates and hence in some way instructs. From the Marxist point of view, all art reflects some outlook on society even if that artistic creation appears to ignore the social milieu in which it is created. A piece of art can be seen as a political statement, albeit implicitly more often than explicitly. Even art that proposes to be neutral simply supports the status quo by default and this is particularly true of "art for art's sake." Given that art is a social force, it is not surprising that Communist leaders want to make sure that the "correct" social message is conveyed.

Of course, it can be argued, as the Russian formalists did, that the form and structures of art can be studied apart from its social context. While this is undoubtedly true, form and structure alone do not make art; there must be some sort of content which immediately invokes a socially-conditioned view of reality from which the content is drawn.

Art presents a view of reality. According to Marxism, the view of reality in any class society is historically and socially conditioned according to class interests – i.e., we see what we want to see and what we have been conditioned to see. Our vision in such circumstances is, at best, selective and distorted, not true to all the facts.

The resolution of the problems arising from the inevitable social tensions of a class society can only be resolved in a classless society. There we will be able to perceive the world most correctly because our vision will not be distorted by partisan interests. This future classless society can only be brought about

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through the collective action of the working class which, acting through its vanguard, takes control of society and institutes a socialist order.

Clearly the social role of art is not simply a given fact but an element which can be turned to ideological ends. Where the society is being consciously shaped along socialist lines, art must contribute a positive social force. The doctrine of socialist realism affirms the "utilitarian" view of art in Plakhanov's terms: the value of a work of art is not just what it is in itself but in what it contributes to the forward movement of society, defined in terms of socialism.

The "socialist" element should be clear but why "realism"? For art to carry out its didactic function effectively, art must be comprehensive to the people who are to shape the future, i.e. the masses. Art must be oriented to the general rather than the specialized audience. Realism in this context means that the themes of art must be taken from life and in a recognizable way. In contemporary times, Soviet aestheticians contrast "realism" with art movements in the West that emphasize abstract forms or works created in disordered ways in the visual arts and plotless or paradoxical writing in literature. Socialist realists have displayed an unalloyed contempt for all forms of abstractionism. Abstract art, like all art, reflects a view of the world, but of a world that is basically orderless and meaningless, in contrast to Marxism where the dialectic orders everything. Furthermore, the ability of abstract art to inspire and motivate to heroic efforts on behalf of the socialist society is very limited.

Realism is often contrasted with "romanticism" which tends to idealize certain elements of human life and often glosses over deeper social criticism. But socialist realism co-exists in some tension with romanticism because romanticism is heroic and has the ability to inspire. Socialist realism seeks these qualities. An unheroic, sometimes shabby view of life, may be "realism" under capitalism, but the socialist state seeks to utilize the heroic in the service of socialism. Zhdanov considered socialist realism to be superior to traditional romanticism because it was a truer romanticism; socialist realism is to romanticism as Marxist "scientific" socialism is to the "utopian" socialism of Fourier or Robert Owens.

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Exploitation of the Hero Concept

Socialist realism aims for nothing less than the restoration of the heroic in literature. The hero is one who takes an active hand in the formation of his or her own destiny. He is not the puppet of fate but rather strives to overcome the obstacles put in front of him. The hero is one who has a clear view of reality and his or her own place in it. He has a strength born of an inner confidence in his own virtue and correctness.

The socialist hero shares these attributes with the traditional hero but there are some important differences between them as well. The traditional hero is very much the individual, the true "person" among the ordinary herd and as such is either venerated or rejected by the society. The socialist hero on the other hand is not isolated from the society but is the foremost representative of it. He is not so much an extraordinary person as the exemplar of the heroic society. He or she is totally at the service of the society, advancing the common good, not as an individual bucking the tide but as one who strives to be more fully or completely one of the masses. The social dimension of humanity is not a barrier to the good but its necessary vehicle. Society is where the individual finds his true meaning; he or she has little significance outside of it.

This is not to say that all societies are good, far from it, but the improvement of humanity will only come from within the social context, not outside of it. Social activism is a positive good if it is an activism shaped by socialist principles. In the view of socialist realism, man should be viewed as a proud creature, striving by his own efforts to promote the social good.

Contemporary "Western" Art

The hero is presently out of fashion in the West. For most contemporary writers, one does not have a hero as protagonist but rather the "anti-hero," the ordinary schnook who is more victim than anything else. There is no heroic vision; his is the world of mere chance and he is acted upon by forces beyond his control. The individual protagonist is often pitted against society with the implication that this is inherent in modern life. It is this view that is often called "realism" particularly in literature in the contemporary West, an emphasis upon the low and disreputable, upon the frustrating and ignoble, the defeat of the human spirit where happiness is a chance occurrence in the

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incomprehensible flow of life. From the Marxist point of view, this is "realism" only in a capitalistic society where the struggle of the individual against the society is symptomatic of the repressive nature of that society. The solution is not isolation or withdrawal but a conscious commitment to social change.

In stressing the element of "realism" it would be simplistic to say that if "the man in the street" can't get the message in a work of art, then it isn't art. Nevertheless, the artist must communicate with the people who, after all, form his audience. The artist is functioning within a specific social milieu which has a direct bearing on how he carries out his activities.

This has both positive and negative features. On the positive side, socialist realism seeks to prevent the dichotomy of the artist and the audience which has become a prominent and lamentable feature of art in the West.

As an obvious corollary, the artist can no longer see himself as simply an isolated individual "doing his own thing"; now he is a part of a social movement. The true artist, according to this view, serves an an instrument of social progress, "a cog and a screw" to use Lenin's phrase, "an engineer of the human soul" to use Stalin's.

This principle is in direct contrast to the statement more often heard in the West: "art for art's sake." At first, this well-known sentiment sounds very attractive; it seems to support the integrity of the artistic enterprise. Yet when more closely examined, it is actually a hidden cry of despair. The artist who creates "art for art's sake" is affirming that his or her artistic activities have no relevance or value outside of themselves. They have lost touch with the sense of meaning and pattern in life. Art has to be for the sake of art because the artist has lost sight of any other value. He can no longer see his art in any wider context than itself.

As a consequence, it is not surprising that such art often takes on a gloominess, a pessimism and a neuroticism. This is particularly marked in literature. This, of course, does not refute the principle we enunciated before that art gives the values of a society its concrete form. All art still "communicates"; even the buffalo-chip art tells us of our social values though what it may tell us is not pleasant to hear. The artist still reflects social values and still guides them but now in strange and bizarre directions. Fragmentation, confusion, lack of

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pattern and direction is seen as "the way life is" and more and more people seem willing to be convinced of this.

Socialist realism attempts to heal this breach. It insists that art is to be guided by certain specific principles, grounded in the Marxist vision of the world and its "reality" in Soviet practice, not just by the whims of eccentric individuals. The artist should feel a real responsibility to his audience, not a disdain for its lack of vision. The socialist realists argue that literature written by their principles has a clearly defined social function and so can be a literature of optimism. The value and role of the work is clear and they feel that the reality defined by socialism is one that warrants optimism.

Totalitarian Nature of "Socialist Realism"

But there is a negative side to this. Insisting that art must be acceptable and comprehensible to the masses does not give the artist much scope to increase and develop the aesthetic tastes of his audience. The masses do not have a chance to grow in their artistic appreciation since artists are not encouraged to push new artistic principles that may not get immediate wide reception. At best, growth is slow and at worst, the artist must continually aim at the lowest common denominator. If the West takes the chance of too much experimentation too fast, then Russia has too little too slow.

One must also note that while in theory art must be acceptable to the masses, in practice, it must be acceptable to a group of ruling bureaucrats who do not always embody the highest aesthetic tastes but who do have the power to suppress anything they don't take a fancy to. But then that is not unique to art but pervasive in the Soviet system. Currently in Soviet literature, there is some debate as to the value and meaning of socialist realism. The book, *On Socialist Realism*, written under the name of Abram Tertz and published in France, points up some of the issues among the parties. (23) He argued that there was a very severe tension in the whole concept of "socialist realism" between the "socialist" component and the "realistic" component. The "realism" in socialist realism is not the realism of the nineteenth century (what Tertz calls "critical realism") which depicted the sufferings of the people and the ideological crisis in Russian society or what is often called realism in the West which emphasizes the irrational features of modern life.

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It is really closer to what we might call a "classicism." It is not being realistic about socialism but rather portraying ideal models and glorifications of the socialist society, frequently at extreme odds with the actual state of affairs. The whole thrust of socialist realist literature is to advance the great cause, the "Purpose" (and Tertz very frequently capitalizes the term in ironic emphasis), to teach the people and to give them role models so that they may become better communists. (24) It is a didactic literature and as such, is a continuation of the didactic literature and art that was characteristic of eighteenth century Russia and is typical of the traditional view, but rather than glorifying the features of the czars, empresses and the Orthodox church, it glorifies the new czars and patriarchs of the Communist party.

The tension among the Russian writers is whether or not to continue this didactic tradition. The conservatives believe that "socialist realism" continues to be the most appropriate style for Soviet writers. The more liberal writers want to face up to the tension. If it is glorification of socialism and communism with happy endings and perfect "positive" heroes that the people can aspire to, then let us "call a spade a spade" and not call it "realism." If it is to be realism that the writers should look to, then the State should allow the writers much more latitude to describe socialist society as it actually is rather than as it should be according to the dictates of the party. The literary bureaucrats should allow much more flexibility in style and outlook.

Summary and Reflection

Socialist Realism is an official literary doctrine which reflects the relationship of the Communist Party and government to literature and the arts. The doctrine of Socialist Realism should be seen in the context of one aspect of the Marxist outlook which has been insufficiently explored or has been explored only from a partisan viewpoint – its sense of commitment, and with it, a sense of orderliness in the world. The appeal of Marxism does not lie simply in its humanitarianism or in its philosophy nor in its concrete examples of practice but rather in the commitment it engenders. People turn to it, not because it is so manifestly a superior outlook and world view but because the alternatives seem to have no explicit world view at all. There

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is a human need for meaning and commitment, and Marxism, rightly or wrongly, provides both.

The Soviet government uses Socialist Realism to reinforce this commitment to generate an enthusiasm for Marxist values. Here we are not concerned with whether these are good or evil values, but art is put to a specific function to generate the psychological movement to accomplish certain values. Literature is taken out of the realm of a social variable and is turned to specific uses. Socialist Realism presents the models for the new society, illustrating the positive directions for the socialist society to go. It is didactic but strives to be inspirational. It has a specific purpose above and beyond mere artistic fancy. At its best, it is art guided by a purpose and by a vision of the positive role of art. At its worst, it is hack stuff turned out to gratify the tyrant who, controlling all the other elements of the society, also seeks to control the artistic soul.

FOOTNOTES

(1) Edmund Wilson, "The Historical Interpretations of Literature" in Bernard Oldsley and Arthur O. Lewis, ed., *Visions and Revisions in Modern American Literary Criticism* (New York: Dutton, 1962), p. 137.

(2) Georgi Plekhanov, *Unaddressed Letters: Art and Social Life,* translated by A. Fineberg (Moscow: Foreign Languages Publishing House, 1957), p. 149.

(3) Plekhanov, p. 153.

(4) Plekhanov, p. 153.

(5) Plekhanov, p. 163.

(6) *Socialist Realism in Literature and Art* (Moscow: Progress Publishers, 1971), pp. 22-27.

(7) *Socialist Realism in Literature and Art*, p. 23.

(8) *Socialist Realism in Literature and Art*, p. 27.

(9) Edward J. Brown, *Proletarian Episode in Russian Literature* (New York: Columbia University Press, 1953), p. 7.

(10) Brown, p. 7.

(11) Bogdanov in the arts was not the only one to succumb to rather naive notions about the Revolution based on rather simple-minded considerations of Marxist philosophy. The young Red general Tuchachevsky developed his theory of the "perpetual offensive" which he believed would make all of Europe Communist. All the Red Armies would have to do is move in a decisive way toward the West. After a few victories over the

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oppressive capitalists showed how weak the old order was, then the workers would spontaneously arise to welcome their liberators, the vanguard of the working class, i.e., the Communists. Peasants and factory workers would carry out guerrilla operations and sabotage the capitalists' capabilities in support of the Red advances. As the Red Army cleared an area, the workers would then join up with it, supply it and help it move on the next area where the workers would be waiting, thus providing the "perpetual offensive." Trotsky, the master strategist of the Red Army, realized the naivete of such notions and Tukhachevsky's grand vision shattered on reality during the Russo-Polish war of 1920-21 when Polish nationalism proved to be a much stronger force than working class solidarity across national lines. (see Norman Davies, *White Eagle and Red Star*)

(12) Brown, p. 8.

(13) Brown, p. 9.

(14) C. Vaughn James, *Soviet Socialist Realism, Origins and Theory* (New York: St. Martin's Press, 1973), p. 49.

(15) James, p. 112.

(16) C. Vaughn James, pp. 113-115. The entire text of the letter entitled "On the Proletcults (Letter from the Central Committee R.C.P.)" is quoted.

(17) Maxim Gorky, "On Socialist Realism" written 1933, in *Socialist Realism in Literature and Art* (Moscow: Progress Publishers, 1971), p. 32.

(18) Gorky, p. 39. My italics.

(19) Gleb Struve, *Soviet Russian Literature* 1917-1950, (Norman, Oklahoma: University of Oklahoma Press, 1951), p. 243.

(20) Struve, p. 244.

(21) Struve, p. 245.

(22) Andrei A. Zhdanov, "The Party and the Arts" in Thomas H. Riha, ed., *Readings in Russian Civilization,* ed. Thomas H. Riha (Chicago: University of Chicago Press, 1964), Vol. III, p. 685.

(23) Andres D. Siniarskii, (pseud. Abram Iertz) *On Socialist Realism* (New York: Pantheon, 1960), pp. 23-42.

(24) Ibid. p. 46.

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TELEVISION AND PRESIDENTIAL POWER

By Robert E. Gilbert

During the three decades of its existence, the medium of television has mushroomed in influence and popularity throughout the United States. Not only has television become a close and entertaining companion to the vast majority of the American people who spend some six hours every day watching it, (1) but the medium also has expanded greatly its political and journalistic influence. Roper surveys have disclosed that by the end of the 1970's, television had become the primary source of news for almost 70 percent of the adult population and that it led all the other media of mass communication as the most credible source of information by a substantial margin. (2)

It is not entirely surprising that the medium of television has become the most common source of political information on the national level, particularly since the United States, unlike many other nations, boasts no really national newspaper which persons in all sections of the country normally read. What *is* surprising, however, is that television is now regarded by a wide margin as the primary source of political information on the *state* level of politics and that it rivals newspapers on the *local* level despite the fact that both newspapers and radio are much more likely to be competitive in these areas. (3) In short, the history of television has been marked by rapidly expanding influence and the political ramifications of the medium's influence have been profound.

Presidential News

Several studies have appeared which treat the role played by the medium of television in the *election* of presidents but the impact of television on the *office* of President has not been given nearly as much, or nearly enough, attention. The Watergate era of the early 1970's might have misled the casual observer into overemphasizing the role which the media of mass communication play in "checking" or restraining American Presidents. While it is certainly true that the print and electronic media engaged in a series of major battles with Richard Nixon which paved the way to his involuntary resignation in 1974, (4)

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the role of the media in those instances was somewhat atypical. In fact, close scrutiny would indicate that on balance, the mass media, particularly the electronic media, have been an important source of power for the American Presidency.

Because of his unique position at the very core of government, the President is subject to sustained publicity from all the media of mass communication. Under circumstances which normally prevail, this publicity should assist the President in strengthening his hold on the reins of government because it focuses the attention of the public on *his* actions, on *his* policies, on *his* initiatives and thus provides him with a powerful central vantage point from which to provide leadership to the nation. Cornwell has pointed out that ". . . Presidential news, and by inference the public's image of the presidency and its relative governmental importance, has increased markedly and more or less steadily in this century, particularly since World War I." (5) Interestingly, Cornwell found that even basically local and somewhat provincial American newspapers focused substantially greater attention on the President than on Congress, a practice that was strongly followed by *The New York Times*, the one daily which, in the context of American society, probably comes closest to being a national newspaper. (6) More recent research has determined that not only has presidential domination of the print media continued but that the pattern for Congress "is one of short-term fluctuations but a steady downward trend – both in absolute terms and relative to news about the President." (7) Far from deviating from this norm, the electronic media strongly reinforce it.

The first President to demonstrate convincingly the potential of the newer means of mass communication as a source of executive power was Franklin D. Roosevelt. By means of his regular radio speeches and famous "fireside chats," Roosevelt was able to establish an intimate link of communication with the American public. Through this linkage, the President indirectly elicited approval and support for his policies and heightened public morale at a time of great domestic and international distress. (8) Each time the President took to the airwaves, speaking to the nation in a folksy, self-assured manner, Congress would be deluged with letters from the people at home, urging passage of Roosevelt's program. Shortly after this President died in 1945, a poet captured the rapport that he had

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developed with his constituency in these words:

I never saw him –
But I *knew* him. Can you have forgotten
How, with his voice, he came into our house,
The President of the United States
Calling us friends . . . (9)

Television vis-a-vis Radio Exposure

Contemporary occupants of the White House have the unparalleled opportunity of using television to allow the people to both see *and* hear their President. Now the Chief Executive is no longer an official located in remote Washington, D.C. or even a disembodied voice coming through a radio receiver but rather an individual made familiar by his frequent appearances on television screens throughout the nation.

As a major source of national and international news, the President receives extensive attention by all television networks. Coverage of his travels, proposals and words is an everyday feature of both local and network (national) news shows and is occasionally a subject for network documentaries. President Kennedy, an extremely media-genic Chief Executive, serves as a case in point. Within the first year of his Administration, John F. Kennedy was the subject of eleven documentary reports on the NBC network alone. (10)

Additionally, it has become common for all television networks to carry major presidential addresses to the nation live and in their entirety. (11) Such appearances allow the White House to retain complete control over speech format and the subject areas under discussion and not uncommonly, they reach an audience of seventy million or more Americans. Minow, Martin and Mitchell have pointed out that in order to communicate with "an audience of that size in person, a president would have to appear before capacity crowds forty-eight times in each of the twenty-six mammoth stadiums used by professional football teams from Boston to San Diego – a total of 1,248 separate appearances." (12)

Even though there has been a wide variation in the frequency with which Chief Executives have taken to the airwaves, all have regarded this technique as an important tool of presidential power. During their Administrations, Presidents Eisenhower and Kennedy delivered, on the average, seven nationally televised

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addresses a year, President Johnson eight, President Nixon more than eleven, President Ford four and President Carter approximately five. Clearly, recent Presidents have found that the medium of television gives them an easy means by which they can communicate their thoughts and policy goals to virtually the entire nation and collectively they have resorted to this expedient on more than two hundred occasions since 1953.

We may only conjecture at this point how extensively and how well President Reagan will follow the practice in this regard set by his predecessors. However, in light of this President's extensive media background and polished television style, we may suggest that Reagan will at least try to emerge as a major television President. In fact, during an interview conducted two weeks after his inauguration, Reagan told several reporters, ". . . I find myself remembering more and more what Teddy Roosevelt said – that this job, the Presidency, is a bully pulpit. I hope that whatever I can do in communication will . . . keep [a unifying spirit] alive." (13)

Popularity and Exposure

It is important to note that television addresses delivered by the President tend to increase his popularity as measured by public opinion polls. Last summer, for example, public confidence in President Carter increased appreciably after his prime-time television appearance on Auguat 4, 1980 during which he addressed the nation on the matter of his brother's association with the government of Libya. According to *Newsweek* polls conducted on July 30 and 31, 1980 (shortly before Carter's television appearance), 35 percent of the public then believed that the Carter Administration had been proper and honest in dealing with this issue while 32 percent felt it had not been and 33 percent had no opinion. (14) Following the President's television appearance on this subject, a *Newsweek* poll conducted on August 6 and 7, found a significant shift in opinion. Now 49 percent felt that the President had acted honestly and properly, 37 percent felt he had not and only 14 percent had no opinion. Clearly the President's appearance had crystallized public opinion, largely in his favor. (15) Even Senator Birch Bayh, Co-Chairman of the Senate subcommittee investigating the matter of Billy Carter's Libyan connection, was led to remark, "I think after the President's speech there

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are more people than before who think this may be much ado about nothing." (16)

The same basic phenomenon occurred after other television appearances by other Presidents. Even a President not commonly regarded as having been particularly effective on television often provoked the same positive response to his television appearances. Early in his Administration, Richard Nixon took to the airwaves to defend his policies relative to the war in Vietnam. Prior to the speech, a Gallup poll found that 58 percent of respondents approved the President's handling of the war while 32 percent disapproved. After Nixon's November 3, 1969 television appearance, the proportion of respondents expressing approval of his Vietnam policies jumped to 64 percent while the percentage of those indicating disapproval dropped to 25 percent. (17) Thus, a sizable shift favorable to the President had occurred in direct response to his television appearance.

Even in the midst of the Watergate affair, the public tended to rally somewhat to the support of the President after some of his television appearances on that subject. For example, a Gallup poll conducted between August 3-6, 1973 disclosed that the President's approval rating had declined dramatically from his 1972 re-election heights. A scant nine months after his landslide – re-election victory, now only 31 percent of respondents approved of his performance in office while 57 percent expressed disapproval. On August 15, 1973, President Nixon took to the airwaves to discuss the Watergate affair with his national constituency. A Gallup poll taken almost immediately after that appearance (August 17-20) saw the President's approval rating jump to 38 percent and his disapproval rating decrease slightly to 54 percent. (18) To be sure, the President's popularity remained low but apparently some of those who previously had been undecided about him or who had been negative in their judgments joined the ranks of Nixon sympathizers immediately after he had addressed the nation relative to the Watergate affair. In fact, this upsurge (7 percent) in Nixon's support ratio, however small it may appear, was the only noticeable interruption in the dramatic downward spiral in his popularity which occurred during the last sixteen months of his Presidency. Even Richard Nixon, then, in the midst of the crisis that would eventually end his Presidency, enjoyed something of the same

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"rally around the flag" effect often produced by special television addresses delivered by Presidents. This was important to Nixon who correctly likened his efforts to stave off impeachment and removal from office as "a race for public support." (19) Of course, the increase in public approval in this instance was neither great enough nor persistent enough to save Nixon from having to resign the Presidency in disgrace.

Broadcast of Press Conferences

In addition to these formal addresses, it has become a commonplace for Presidential news conferences to be broadcast live over radio and television. The Presidential press conference has evolved clearly during the last few decades as a major tool of executive power. President Truman contributed to the trend by becoming the first Chief Executive to allow taped portions of his press conferences to be broadcast on radio, and on January 19, 1955 President Eisenhower became the Chief Executive who ushered in the age of televised press conferences, allowing edited tapes of his meetings with the press to be shown on television. It was during the Kennedy Administration, however, that presidential news conferences began to be televised live and in their entirety to the nation.

During his thirty-four months in office, President Kennedy held more than sixty televised press conferences. Theodore Sorensen has pointed out that the primary purpose of these conferences "was to inform and impress the public more than the press." (20) Kennedy's first news conference as President was held five days after his inauguration and drew an audience of 65 million persons. (21) Throughout Kennedy's Administration, public interest in his news conferences remained high. The average viewing audience for a Kennedy meeting with the press, typically held during daytime hours, was a sizable 18 million. Interestingly, the American Research Bureau estimated that there was a 10 percent increase in the number of TV sets in use every time this President took to the airwaves. (22) Kennedy had the personality traits which made him a "natural" for meeting with the press in the television arena. He was articulate, quick on his feet, urbane, witty and highly telegenic. So effective was he, in fact, in the give and take of press conferences that Arthur Schlesinger has described those conferences as "the central forum of presidential contact." (23)

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Though his successors were not Kennedy's equal in this "forum," each held televised press conferences as a matter of course. Lyndon Johnson conducted an average of twenty-seven televised press conferences a year, Richard Nixon six, Gerald Ford sixteen and Jimmy Carter twenty-two. While it remains too early to assess the frequency and quality of President Reagan's televised press conferences, it is worth noting that during his first six weeks in office, Reagan conducted two nationally televised meetings with the press.

Regardless of who the President happens to be at any particular time, the presidential press conference has become political theater, normally putting the President at a great advantage before a national audience. Style is stressed more than substance, questions are often "planted" which the President wishes to answer, probing follow-up questions are rarely allowed and the President is usually dominant in the typically gentle series of exchanges which occur. Often reporters with known political beliefs and orientations are called upon by the President so that he might control the mood and direction of the conference.(24) Interestingly, however, at his meeting with the press in early March, President Reagan resorted to the unusual expedient of choosing questioners by lot and then answering their enquiries; though whether this innovation will remain is conjectural. Although Presidents occasionally are surprised and/or irritated by questions which are asked during televised press conferences, (25) the format is designed to project the President at his best and tends to transform the press into complaisant purveyors of the President's viewpoints and policy preferences. (26) The President is always a center stage attraction with the press often acting as a satellite in his orbit.

A Natural Focal Point

That the President is the natural focal point for sustained television coverage can be seen not only during the President's life but also, and rather strikingly, at the time of his death. In November, 1963, the three television networks gave exhaustive coverage to President Kennedy's assassination and the events related to it, suspending all regular programming and commercial messages between the time of the assassination on Friday afternoon, November 22, until the evening of November 25, several hours after the President's state funeral. NBC for example,

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"devoted more than 70 consecutive hours to all aspects of the tragedy, in the longest sustained news coverage in the history of broadcasting." (27) A peak audience of more than 90 percent of American households tuned in at various points in the proceedings, along with millions more in twenty-two foreign nations made witness to events via satellite. Theodore White later wrote:

> By 2:15 P.M. on Friday, within twenty-five minutes of the first report, the television audience had doubled and by the time the President arrived at Andrews Air Force Base, 70 percent of New York (and presumably America) was at its sets. The next day, Saturday, almost half of all sets in America remained on for the full twelve hours from eleven in the morning to eleven at night. These peaks were surpassed on Sunday, when for the ceremonies in the Capitol Rotunda, 85 percent of all television homes in America became live witnesses. And then, finally, for the funeral and burial ceremonies on Monday, the graph of audience attention reached its limits – a measurable 93 percent of all American television sets, the highest total in TV history, brought these ceremonies to what must have been more than 100 million people. (28)

It has been estimated that the average American adult spent eight hours on Friday, ten on Saturday, eight on Sunday and eight hours on Monday watching television programs and listening to radio presentations concerning the assassination and related events. (29) Through the medium of television, almost the entire nation, if not the world, was brought within touch of the tragedy and persons almost everywhere were permitted to participate vicariously during these four traumatic, but historic days. In a very real sense, even in death, the President speaks.

It is important to note that while the nation grieved over the passing of its President, it simultaneously was being introduced to his successor. After President Kennedy's body arrived from Dallas at Washington's Andrews Air Force Base, President and Mrs. Johnson descended from the plane into the glare of TV lights. The new President reassured the nation at this emotional moment by promising, "I will do my best. That is all I can do. I ask your help – and God's." (30)

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The Struggle for Public Support

The President, both in life and death, normally is able to monopolize the public consciousness. By capitalizing on his unique vantage point in society, the President has the potential of projecting his voice and his image into millions of homes throughout the nation. This ability should assist him in achieving identification as the center of decision-making and the prime voice of the nation, particularly in the international realm. Indeed, it has been found that much of the public takes its foreign policy "cues" from the President. Using the media to communicate his foreign policy goals to his constituency, the President normally sets the foreign policy agenda for the nation, with Congress often excluded from any meaningful participation in the process. (31) Even Cronin, who believes that Congress, in recent years, has become resurgent and more involved in foreign policy-making, admits that "relations between Congress and the President are not merely constitutional questions but also struggles for the support of public opinion." (32)

Through his ready access to the media, the President normally has the advantage in these struggles. Examples from recent Administrations abound. After President Carter appeared on television in defense of the Panama Canal Treaties, public opposition to those controversial treaties dropped from 39 to 17 percent. (33) In May, 1975, President Ford's popular approval rating moved from 40 to 51 percent when he spoke to the nation about his response to the Cambodian seizure of the American merchant ship, *Mayaguez*. (34) During the Nixon Administration, support for the policy of sending American troops into Cambodia increased from 7 to 50 percent after President Nixon took to the airwaves to explain his decision to do so. (35) In 1968, in response to a speech by President Johnson announcing and defending a bombing halt in the Vietnam War, public support for such a policy jumped from 40 to 64 percent. (36) Finally, during the Kennedy Administration, support for the Nuclear Test Ban Treaty increased from 40 to 63 percent after the President appeared on television in defense of such a Treaty. (37)

Strategic Use of News Releases

Of great significance is the fact that the medium of television affords the White House greater control over the presidential

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"image" than the printed word has ever allowed. Since the Executive Branch, with its singular Head, has a greater capacity for both attracting and utilizing television publicity than either of the other two branches of the national government, the power of the president has the potential for continued expansion, at the expense of Congress and even perhaps at the expense of the press.

For any individual to be able to exceed or even match the President in attracting publicity approaches the impossible. Even Lyndon Johnson, after his Presidency had begun to founder on the war in Vietnam, was able often to smother his most prominent opponent in terms of news coverage. For example, in 1967 Senator Robert Kennedy was scheduled to deliver a major address on the floor of the Senate denouncing the President's war policies. Since the White House was concerned over the possible effects of Kennedy's speech, it launched a powerful media counteroffensive. The dimensions of this effort were impressive. Beginning early on the day Kennedy was to speak, the President:

> called in newsmen and announced that he had received a letter from the Russians agreeing to talk about anti-missile systems . . . President Johnson then drove to Howard University and rededicated his Administration to continuing the battle for black equality. From there he hastened to the Office of Education building and re-dedicated his Administration to giving every child as much education as he could absorb. . . At the end of the day, the White House fired a parting shot by revealing that the President's daughter Luci, about whom there had been interminable coy speculation, was in truth expecting a baby. (38)

To be sure, Kennedy's Senate speech received some publicity but that publicity was seriously diluted by the coverage given the President. If Robert Kennedy, who attracted far greater media attention than is customary for non-presidential personages, could be deluged by presidentially inspired publicity, the lesson for other American political figures should be clear.

Ironically, that same lesson was learned by the last of the Kennedy brothers in 1980 as he waged his own futile campaign to deny renomination by the Democratic Party to President Jimmy Carter. While the President was helped in this struggle

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by events occurring abroad, specifically in Iran where American hostages were seized and in Afghanistan where the Soviet Union intervened militarily, Kennedy found himself being "crowded" continually by Presidential publicity, generated, strangely enough, by a President who did little public campaigning. Presidents, however, can "create" events or pseudo-events which generate national news. Perhaps that best illustration of this phenomenon (but certainly not the only one) (39) occurred on the day of the Wisconsin presidential primary in March when President Carter held an unprecedented 7.00 A.M. televised press conference in which he announced a possible breakthrough in the Iranian hostage crisis. Throughout that day, primary voters were being exposed to this presidentially inspired news. After the President handily won the Wisconsin primary, it became clear that the hopeful news, announced so early in the morning, was erroneous. The "breakthrough" had proven to be another illusion but talk of it had allowed the President to dominate the news sources of the nation on that politically important day. (40)

President Carter had learned well the lessons taught by some of his predecessors. Favorable publicity can produce vital political dividends and the Presidency is one office in American politics which can monopolize the nation's publicity mills. Indeed, in Louis Koenig's view, the media coverage given the President "well exceeds the French President's and is even more than that of the Prime Minister and Queen of England combined." (41)

In recognition of this reality, contemporary presidents are using television, the foremost component of the publicity network, as a relatively new method for dealing with Congress. The Chief Executive now has at his disposal a potentially powerful instrument for molding and mobilizing public opinion. When faced with a recalcitrant Congress, a President can now go beyond messages, entreaties to individual legislators, and all the other more traditional methods of gaining support for his legislative program. Now he can use the medium of television to speak over the heads of members of Congress directly to his national constituency, asking it for its support and assistance. In addition to earlier research findings which suggested linkages between presidential prestige and governing effectiveness, (42) more recent research has determined that the popularity of a

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President with the general public has an important bearing on his success ratio in Congress. Indeed, it was found by Zeidenstein that support for Presidents in Congress "rises and falls with their popularity, and it makes little difference which party controls Congress." (43) Similarly, Edwards noted:

> A President interested in increasing his congressional support should not overlook the influence potential of his personal popularity. In other words, he should attempt to influence congressmen indirectly by strengthening his support among the American people. Moreover, he should be concerned with his prestige among members of both parties, because congressmen from both parties respond to his prestige, particularly his popularity among their electoral supporters. (44)

In this respect, the medium of television should enhance greatly presidential power precisely because of its impact on public opinion. The potentiality of this development is so pronounced that the late news commentator Edward R. Morrow once suggested that if President Woodrow Wilson had had access to the modern means of mass communication, namely radio and television, "he would have brought us into the League of Nations and definitely changed the course of history." (45) Lacking these media of mass communication, Wilson felt compelled to travel and speak throughout the nation in a desperate effort to rally the public to his support. Faced with a difficult battle with Congress, he launched a four week, twenty-seven city speaking tour throughout the western and midwestern states. It was during this tour that President Wilson suffered a stroke so severe that his presidency effectively came to an end and his plans for a League of Nations died. Had Woodrow Wilson enjoyed access to the modern means of mass communication, he would have been able to go to the people, and a much greater number of the people, without damaging his physical health, and may well have changed the course of history.

The President versus Congress

Today's Presidents are able to make use of the media with potentially great effect. (46) Since members of Congress are generally sensitive to public opinion and since public opinion can be more easily and more quickly molded by a persuasive

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Chief Executive than earlier in American history, television has become vital as a presidential legislative aid. Significantly, since 1965 it has become the practice for Presidents to deliver their annual State of the Union Addresses to Congress at 9:00P.M. (Eastern Standard Time) in order to reach the prime-time television audience that has become the President's chief target.

As a result of the 1964 Supreme Court decision mandating that Congressional districts within a state be of reasonably similar population size, (47) the lower house of the national legislature has been brought into greater touch with urban and suburban interests. This development should contribute to an environment in which the President and Congress share a greater similarity of views than previously, when the legislative branch comprised a higher proportion of congressmen who enjoyed close ties with a more preponderantly rural electorate. A President who is able to take advantage of the opportunity afforded by television to educate, shape and mobilize public opinion on a nationwide basis will operate from a position of greater strength, especially since the presidential power is, to a substantial degree, the power to persuade.

This, of course, is not to suggest that the traditional checks and balances concept of the American Constitution has or will become meaningless. As Binkley writes:

> A President who considers himself a tribune of the people, when possessed with flair for publicity and a fearless personality will inevitably start powerful interests demanding that Congress resume its "proper" function of legislation and cease being a "rubber stamp." (48)

Presidents who have been perceived as having become too powerful eventually started the pendulum moving toward the opposite direction, as both Franklin Roosevelt (in his fight to enlarge the Supreme Court) and Lyndon Johnson (in his pursuit of war policies in Vietnam) learned to their surprise and dismay.

The Media's Own Influence over Public Opinion

In such instances, relentless publicity has potential drawbacks as well as advantages. Overexposure can be a problem, and press secretaries must try to keep the media interested, in a positive sense, in what the Administration is doing. They must seek to channel media attention toward desired issue areas and away

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from areas which are less desired or even deleterious to the Administration. However, if the media become antagonistic, or even merely "bored" or frustrated in their pursuit of significant or dramatic presidential news, they may well react by creating publicity which is damaging to the President.

Possibly the best recent example of this phenomenon came during the Administration of Gerald R. Ford, when the media began to focus their attention on presidential quirks such as Ford's bumbling speaking-style, supposed clumsiness and proclivity for accidents of various sorts. The constant attention given to these relatively minor personal matters produced serious image problems for the President – problems he was never able to really overcome. More than one Chief Executive has learned that the media can act in a shark-like fashion and move in "for the kill" once they sense that a President has become seriously vulnerable. Moving in on him from every side, they can accentuate, overly dramatize, and distort his problems until those problems become completely central in the public mind.

In 1973, as his Watergate difficulties were boiling around him, Richard Nixon began to be portrayed by the media not only as a doomed President but also as a man dangerously close to losing control of his emotions. Once, on a trip to New Orleans, Nixon angrily pushed and shouted at his press secretary who apparently had failed to follow his specific instructions. The episode received elaborate treatment by the news media throughout the country. It was even shown twice in slow motion on the CBS Evening News and served as fodder for rumors that the President was suffering an emotional breakdown. Media personnel began to give persistent attention to alleged presidential drunkenness, physical illness and nervous collapse. Nixon later wrote that "all these things were conceived, perpetuated, promulgated, and then analyzed by a comparatively small but immensely influential press corps living in the rarefied environment of Watergate-obsessed Washington, feeding on its own inbred ideas." (49)

Foreign Tours

It is, of course, somewhat difficult for any Administration to provide the media with an appropriate and self-serving flow of "news" on a daily basis. This is particularly true in the area of

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domestic policy because the media tend not to be keenly interested in "nitty-gritty" or "nuts and bolts" issues but rather prefer more dramatic, if not sensational, items to report. One presidential activity, however, which almost invariably elicits positive media coverage is when the Chief Executive travels abroad. Each segment of a foreign journey by a President – departure from the United States, arrival at foreign capitals, parades in foreign cities, meetings with foreign leaders (50) and the return home – is a major media event which provides intensive favorable publicity for the President throughout the United States. In his foreign journeys, ". . . strong nationalistic emotions are aroused, and there is usually widespread public support for the President as the representative of the nation." (51)

Presidents may use foreign trips for maximum political advantage at home. Richard Nixon's journey to China in 1972 serves as a case in point. Approximately one week before New Hampshire's first-in-the nation presidential primary that year, President Nixon embarked on his precedent-shattering trip to China. During the historic week that Nixon spent there, the media gave him relentless coverage. The television networks, for example, showed him arriving in Peking, meeting with Mao Tse-Tung and Chou En-Lai, visiting the Great Wall, attending the banquet given in his honor by his Chinese hosts, and presiding over the banquet he gave them in return. Finally, his arrival back in the United States during prime viewing hours was covered live and in its entirety by the television networks.

Columnist Jack Anderson offered a revealing commentary at the time:

> Every day President Nixon was in China, the White House kept him advised how the trip was going over at home. He received a daily digest on what the newspapers and the TV networks were saying about his adventures on the Chinese mainland. Most of the digests were devoted to his TV coverage, giving complete summaries of each network's reports from China. These confidential summaries informed the President which film shots showed him at his best and what the TV commentators had to say. (52)

The fact that this massive media attention provided Nixon preceded the New Hampshire primary by just a few days had obvious political ramifications. The President was able to

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smother both his Republican rivals for the nomination and the Democratic Party contenders in the New Hampshire contest simply by being "statesmanlike" and carrying out his responsibilities as "chief diplomat" of the nation.

Regarded as a "bully pulpit" by Theodore Roosevelt in the early 1900s, the Presidency has become a much more conspicuous stage since the advent of television. As the influence of the medium continues to expand, the office of President should be a prime beneficiary. To be sure, there are pitfalls for the President in his symbiotic relationship with television and the other media. But the pitfalls seem heavily outweighed by the opportunities.

FOOTNOTES

(1) Thomas J. Volgy and John E. Schwartz, "On Television Viewing and Citizens' Political Attitudes, Activity, and Knowledge," *The Western Political Quarterly*, June, 1980, p. 153.

(2) Roper Organization Report, *Public Perceptions of Television and other Mass Media: A Twenty-year Review, 1959-1978*, pp. 3, 4.

(3) On the state political level, television leads newspapers as the primary source of information by a margin of 55-39 percent, with radio trailing badly at 8 percent. In terms of local elections, newspapers enjoy a 45-39 percent advantage over television, with radio again trailing far behind with a 10 percent showing. (*Ibid.*, pp. 7, 8).

(4) For a description of the conflict between President Nixon and the media during the Watergate era, see Theodore H. White, *Breach of Faith*, New York: Atheneum Publishers, 1975, pp. 225-229, 233-234, 269; also, see Bob Woodward and Carl Bernstein, *The Final Days*, New York: Simon and Shuster, 1976. Woodward and Bernstein are the two journalists credited with the breaking of the Watergate "story." A more recent and scholarly discussion is found in Gladys Engel Lang and Kurt Lang, "Polling on Watergate: The Battle for Public Opinion," *Public Opinion Quarterly*, Winter, 1980, pp. 530-547.

(5) Elmer E. Cornwell, "The Presidency in Practice," *The American Presidency: Vital Center*, ed., Elmer E. Cornwell, Glenview, Illinois: Scott, Foresman and Company, 1966, p. 30.

(6) Bernard C. Cohen, *The Press and Foreign Policy*, Princeton, New Jersey: Princeton University Press, 1963, pp. 134-136.

(7) Alan P. Balutis, "Congress, the President and the Press," *Journalism Quarterly*, Autumn, 1976, p. 513.

(8) For an excellent discussion of Franklin Roosevelt's use of radio, see Elmer E. Cornwell, *Presidential Leadership of Public Opinion*, Bloomington, Indiana: Indiana University Press, 1964, chapter 4.

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(9) Carl Carmer, quoted in Walter Johnson, *1600 Pennsylvania Avenue*, Boston: Little, Brown, 1960, p. 195. Also, Greenstein writes that, ". . . when President Roosevelt died, a number of psychoanalysts reported that their patients responded to his death in ways which indicated that they symbolically equated the President with one or both of their parents." (Fred Greenstein, "The Psychological Functions of the Presidency for Citizens," in *The American Presidency: Vital Center, op. cit.*, p. 35).

(10) National Broadcasting Company, *Program Bulletins*, January 1961-January 1962.

(11) A major television address is defined here as any non-campaign, non-Inaugural, and non-general press conference appearance by the President on national television.

(12) Newton N. Minow, John B. Martin, Lee M. Mitchell, *Presidential Television*, New York: Basic Books, 1973, p. 19.

(13) *The New York Times*, February 3, 1981, p. A14.

(14) *Newsweek*, August 18, 1980, p. 32.

(15) Most of the movement came in the form of crystallization of opinion on the part of those who had not yet formed a strong opinion rather than conversion on the part of those who had. (*Ibid*). The crystallization rather than conversion effects of the mass media have been confirmed in numerous studies. See, for example, Leon Festinger, *A Theory of Cognitive Dissonance*, Evanston, Illinois: Row, Peterson, 1957.

(16) *Newsweek*, op. cit., p. 31.

(17) *Boston Globe*, March 15, 1970, p. 41.

(18) *Gallup Opinion Index*, September, 1973, Report No. 99, p. 4.

(19) Richard M. Nixon, *RN: The Memoirs of Richard Nixon*, New York: Grosset and Dunlap, 1978, p. 972.

(20) Theodore C. Sorensen, *Kennedy*, New York: Harper and Row, 1965, p. 322.

(21) Harold Mendelsohn and Irving Crespi, *Polls, Television, and the New Politics*, Scranton, Pennsylvania: Chandler Publising Company, 1970, p. 274.

(22) Robert MacNeil, *The People Machine*, New York: Harper and Row, 1968, p. 297.

(23) Arthur M. Schlesinger, Jr., *A Thousand Days*, Boston: Houghton-Mifflin, 1965, p. 716.

(24) Jarol B. Manheim, "The Honeymoon's Over: The News Conference and the Development of Presidential Style," *Journal of Politics*, February, 1979, p. 63.

(25) During a press conference in late September, 1980, President Carter was forced to deny, in the face of question after question on the subject, the racism charge he had levelled against Ronald Reagan in an Atlanta speech. "I don't believe my opponent is a racist to any degree," Carter finally admitted. (*Newsweek*, September 29, 1980, p. 22)

(26) For an interesting discussion of the subservience of the press to the Executive branch, see Richard Harwood, "Did Newspapers Muff the Job of Informing on Vietnam?," in *Of the Press, By the Press, For the Press and others, too*, Laura L. Babb, ed., Boston: Houghton, Mifflin, 1976, pp. 79-81.

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(27) National Broadcasting Company, *Program Bulletin*, November, 1963, p. 1.

(28) Theodore H. White, *The Making of the President 1964*, New York: Atheneum, 1965, p. 13.

(29) Paul B. Sheatsley and Jacob J. Feldman, "The Assassination of President Kennedy: A Preliminary Report on Public Reaction and Behavior," *Public Opinion Quarterly*, Vol. 28, 1964, p. 197.

(30) *The New York Times*, November 23, 1963, p. 1.

(31) For an excellent discussion of this phenomenon, see Cohen, *op. cit.*, pp. 170-198.

(32) Thomas E. Cronin, "A Resurgent Congress and the Imperial Presidency," *Political Science Quarterly*, Summer, 1980, p. 234.

(33) *The Gallup Opinion Index*, April, 1978, Report No. 153, p. 15.

(34) George H. Gallup, *The Gallup Poll, Public Opinion 1972-1977*, Wilmington, Delaware: Scholarly Resources, Inc., 1978, p. 519.

(35) Milton J. Rosenberg, Sidney Verba and Philip E. Converse, *Vietnam and the Silent Majority*, New York: Harper and Row, 1970, p. 26.

(36) Robert S. Erikson, Norman R. Luttbeg, Kent L. Tedin, *American Public Opinion: Its Origins, Content, and Impact*, New York: John Wiley and Sons, 1980, p. 145.

(37) George Gallup, *The Gallup Poll: Public Opinion 1935-1971*, Vol. III, New York: Random House, 1972, p. 1837.

(38) MacNeil, *op. cit.*, p. 294.

(39) Throughout the caucuses and primaries of 1980, President Carter used the power of his office to capture center stage in the news media. On the day before the Iowa caucuses, he appeared on "Meet the Press" and announced the U.S. boycott of the Moscow Olympics because of the Soviet invasion of Afghanistan; on the day before the New Hampshire primary, he gave a reception at the White House for the U.S. hockey team, which had just defeated the Soviet team in the winter olympics; shortly before the primary in Illinois, Carter announced plans to trim the budget by $13 billion in order to curb inflation; just before primaries in Massachusetts and Vermont, the Carter Administration predicted a $15 billion cutback in the 1981 budget. (See *The New York Times*, January 21, February 26, March 4 and March 15, 1980, p. 1).

(40) David S. Broder, "The 'Good News' School of Politics," *Boston Globe*, April 6, 1980, p. A7.

(41) Louis W. Koenig, *The Chief Executive*, New York: Harcourt, Brace and World, 1968, p. 192.

(42) See, for example, Richard Neustadt, *Presidential Power*, New York: John Wiley and Sons, 1980, chapters 4 and 5.

(43) Harvey G. Zeidenstein, "Presidential Popularity and Presidential Support in Congress: Eisenhower to Carter," *Presidential Studies Quarterly*, Spring, 1980, p. 227.

(44) George C. Edwards III, "Presidential Influence in the House: Presidential Prestige as a Source of Presidential Power," *American Political Science Review*, March, 1976, p. 113.

(45) Poyntz Tyler, ed., *Television and Radio*, New York: The Wilson Company, 1961, p. 110.

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(46) Even Franklin Roosevelt, concerned with the problem of overexposure, sharply limited his radio addresses. During the twelve years of his Administration, Roosevelt delivered only twelve "fireside chats" and at one point even requested a radio show to stop imitating his voice for fear it would become *too* familiar to the public. (Edward W. Chester, *Radio, Television and American Politics*, New York: Sheed and Ward, 1969, p. 33).

(47) *Wesberry v. Sanders*, 376 U.S. 1 (1964).

(48) Wilfred E. Binkley, *President and Congress*, 3rd ed., New York: Vintage Books, 1962, p. 378.

(49) Nixon, *op. cit.*, p. 963.

(50) Mueller concludes that a president's popularity rallies when an international event occurs which "involves the United States and particularly the President directly" and is "specific, dramatic and sharply focused." (John E. Mueller, "Presidential Popularity from Truman to Johnson," *American Political Science Review*, March, 1970, p. 22).

(51) Michael B. Grossman and Francis E. Rourke, "The Media and the Presidency: An Exchange Analysis," *Political Science Quarterly*, Fall, 1976, p. 458.

(52) *Boston Globe*, March 5, 1972, p. 38.

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THE FUTURE OF U.S.-FRENCH RELATIONS

By Nerin E. Gun

Valéry Giscard d'Estaing, if reelected in May 1981 by the people of France, will have the opportunity to stay in office fourteen consecutive years as their President. No other French politician in the tradition of the French democracy had such a privilege. As a matter of fact, only Kâmal Atatürk in Europe and Franklin D. Roosevelt in the U.S.A. would have had longer tenures in supreme office. Such a long term at the "Elysée Palace" would give Giscard d'Estaing more prestige in the world and a greater capacity to advance his policies, and the outcome of the forthcoming elections in France will have a decisive effect on the relations between France and the other powers in Western Europe, with the members of the third World, with the Soviet Union, and — of especial importance — with the United States of America.

If Giscard is not reelected, and the odds are 50/50 either way, his probable successor, the radical socialist François Mitterand, would totally change French society, creating a new situation full of uncertainties. The "view from the bridge" would be an unknown factor, and no one, even Mitterand himself, could picture it in advance.

The French Constitution

The French constitution, a product of Charles de Gaulle — at that time an uncontested half-dictator — is a vague imitation (although the French deny this, and don't like to speak about it) of the American constitution. The French President has very broad powers, an unusual situation in a European democracy based on Parliamentarian rules. Indeed, the French President enjoys greater powers than those granted to the President of the United States. The latter has to contend with the Congress, and in the Congress with the Senate and its, sometimes hostile committees. Not so the French President, who may, for example, nominate ambassadors or Chiefs of Staff as he pleases. His Prime-Minister is in reality a mere Secretary of State. On paper, the French Parliament, more precisely *"l'Assemblee nationale,"* may refuse to vote the "confiance," this means

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it may refuse to approve the President's politics, but this has never happened, and if it should happen, the President could nominate another Premier or another Cabinet, his own position being unaffected. Alternatively, the French President might dissolve the Parliament and ask for new elections. The man in the American White House does not have this prerogative. In practice, the French Parliament plays only the role that the French President allows it to play – and no more. This explains why the opposition has often compared Giscard d'Estaing to the absolute French monarch Louis the XIV.

The French President is elected by popular vote, but there are two electoral consultations, two "tours," this time on the second and third Sundays of May. The first of these, which French politicians like to call a "primary," is very close to a ballot in an American Party Convention: everyone votes for his own candidate or his own "favorite son." To be a candidate and benefit from the many advantages, such as prime television time, space for electoral posters, financial subventions, a candidate must be sponsored by at least five hundred notables, such as members of the Senate, members of the National Assembly, mayors or federal counselors (the equivalent of members of a State legislature).

Only the two candidates that have received the greatest number of popular votes are permitted to have their names on the ballot for the final vote which takes place on the following day, unless of course, one of the candidates immediately obtains in the first election an absolute majority of more than 50% of the votes cast, something which has never happened yet. Even Charles de Gaulle could not achieve such a performance, and he was in "ballotage" as the French say, against the same François Mitterand.

At this second election, the choice being limited to two, a majority of even one vote will suffice to elect a President. As a matter of fact, Giscard d'Estaing was elected in 1974 with a very slim margin of 0.80% of the total valid votes. The prediction is that this time also, the difference between the candidates will be minimal, one way or the other. This situation reflects the deep political and social divisions of the French people, divided between two camps – the Right and the Left, or more candidly, those who have more, and those who have less and who would like to have what the others have!

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The Candidates

Some of the candidates are not to be taken seriously, or have very small, almost negligable chances. Coluche, a "burlesque" performer, who uses only four letter words, had himself photographed sitting naked on a lavatory, wearing the insignia of the Presidency and nothing else! He scandalized many Frenchmen when he managed to get the required five hundred endorsements, but he cannot win more than a few hundred thousand votes. Coluche's candidacy has another meaning. Many average Frenchmen are disenchanted with politicians, seeing them as corrupt liars, unreliable, and responsible for all the unhappiness in France. The vote for Coluche will be a vote against politics and politicians.

Then there are the "trotzkystes," the left extremists, the anarchists, and a new formation of a different character, the so-called "greens," who are critical of many diverse practices ranging from pollution to atomic energy and hunting, among other things. Captain Cousteau, of "under-water" fame agreed to represent the "greens," but changed his mind, and without him the "mouvement" is seriously divided. The "greens" will probably gather 3 to 5% of the votes. Then there is Marie-France Garraud, a lady who was very important behind the screen when she was a counselor to Gaullist leader Jacques Chirac. Now she is running on her own, hoping to win the female vote. She dresses smartly, is pretty and personable, and strongly hates the Soviet Union.

The main four candidates, the only ones who have any real chance, because they are each backed by sizeable political machineries – "la bande des quatres" as men say in Paris – are Georges Marchais, Jacques Chirac, François Mitterand, and the incumbent, Valéry Giscard d'Estaing.

Georges Marchais is the Secretary-General of the French Communist Party. Although his party pretends to be French and from time to time uses the French flag, Marchais receives his orders from Moscow. The winter before last, as the Soviet Union invaded Afghanistan, Marchais went to Moscow, was received by Premier Leonid Brezhnev, and declared that the real invaders of Afghanistan were the United States of America. Today he is holding the Polish people guilty as aggressors against the peaceful socialist nations.

As Ambassador Caffery wrote very cleverly from Paris in

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March 1947, thirty-four years ago on the eve of the Marshall plan, the French Communist party is very liberal in times of international "détente" and very aggressive, marxist, and revolutionary in times of international tensions. Now the French Communists, with Marchais at their head, have reversed in the Stalinist line.

Candidate Marchais has a political weak-spot in his past; since he has been accused of working voluntarily with the Germans in World War II. This is a troublesome matter for the leader of a party which carries the banner of anti-Hitlerism. It is possible that the American Document Center in Berlin contains compromising files on Marchais, but the Department of State refuse to allow researchers to check these files. Many ask whether this stubborness has a political meaning, whether the responsible men in State are being influenced by leftist preferences. Will the new Secretary of State, who claims to fight subversion and terrorism, check this abuse of power in his own ranks?

However, even if the policy is now changed, the discovery of incriminating evidence would come too late to affect the elections. In any case, one Frenchman in five votes communist no matter what. The Soviets could kill all the workers in Poland, invade France, and the same 20% of the French vote would go automatically to the French Communist Party. In better times, the party could receive 23 and even 25% of the popular vote.

The socialists are riding the crest of a wave, thanks mostly to François Mitterand. The party had only between 10 and 12% of the votes twenty years ago, but now might reach 30%, or close to it. François Mitterand is a "many faces" politician. He was a moderate before becoming a socialist, he was a minister in a "rightist" De Gaulle cabinet. He voted for the war in Indochina. Subsequently he allied himself with Marchais in 1974, during the period of the "programme commun," or popular front. At that time the socialists and communists had a majority on paper; but many voters, although thinking left, feared the accession to power of the communist party, and switched their allegiance at the last moment, so that Giscard d'Estaing was elected President. But it was close.

In 1978, during the campaign for the legislative elections, the "programme commun" was almost sure of victory. But suddenly Marchais backed down! He accused Mitterand of betraying

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the working class. Political observers explained that he had received instructions from Moscow to do so. The Kremlin feared that, first, a France with a pro-communist government would antagonize the United States and imperil detente, and secondly, that a victory for Mitterand would give too much prestige to the socialist party.

This time Marchais is fighting his allies of yesterday. He knows that he could not jump the hurdle of the first election and that with only 20 or 19% of the popular vote he will be eliminated. What will he do? Ask the communists to vote on the "deuxième tour" for the socialist candidate? Or to abstain? He has already set a pre-condition: "We will help Mitterand if he gives us in advance the assurance that there will be communists in his cabinet."

On the other side we have Jacques Chirac and President d'Estaing. Chirac claims to be the heir of Charles de Gaulle. Now that the General is dead, everyone in France has become a Gaulliste, as everyone was, once the war was ended, in the *Resistance*! A former Premier, Debrè, is also a Gaullist candidate; but his chances are not high. Chirac, now Mayor of Paris, hates Giscard. He was instrumental in having Giscard elected, became his Prime Minister, but was rudely dismissed by Giscard who wanted to be his own master. It is unlikely that Chirac will obtain more votes than Giscard or Mitterand, and that he will be on the final ballot. But he may decide to ask his followers to abstain, and thus imperil the election of Giscard as President. The situation is thus: if the communist and other parties of the left all vote for Mitterand he has a good chance of being elected. If the Gaullist and all the voters opposed to a leftist takeover vote for Giscard, he will be reelected.

American Misconceptions

Many Americans, and I have in mind those of the U.S. Embassy in Paris – leftovers from the Carter administration – and some foreign correspondents believe that a change in tenure will not affect relations between France and the United States; that Mitterand is like Schmidt a "good social-democrat," that he is for NATO, for a "reliable" socialist Europe, for detente and anti-Soviet, and that his entry into the Elysée Palace would have a favorable effect in providing some kind of "stability" and "social peace."

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Others do not believe it. Mitterand is very ambitious, and will do anything to finally become President. He would accept – if that were the price – communists in his government, and would give them important posts. He is not the man to resist a communist takeover. Do not forget that there are communists in the army, even in the officer corps, in the administration, in the police, in the courts, everywhere. And a President Mitterand would mean the end of NATO; tensions in the French-American alliance; and a turn toward the East. With Mitterand, the Communist-dominated labor unions would be the masters of the streets. And the socialist "nationalization" program of industry would imperil whatever chances France has for economic recovery.

Giscard d'Estaing has been a competent President. The energy crisis was at the origin of today's recession in the French economy. There are almost 1,800,000 jobless in France, and the cost of living is very high. But this is not entirely the responsibility of the President. French industry is antiquated, the French working force wants to receive the most in social privileges, but to work very little for these – and badly. These factors explain the present unpopularity of Giscard.

It is true that the President has followed a "between the Great Powers policy," trying to remain "neutral" and to play sometimes, the part of an intermediary – an ambassador, a bridge, between Washington and Moscow. He let the Americans believe that he was speaking to them as the "mouthpiece of the Kremlin," and let the Kremlin believe he was the man of Washington. This was the heritage of de Gaulle, and such a policy was approved by the great majority of the French. Giscard wants also to be the leader of Europe, overshadowing Germany and Great Britain, threatening to leave the European Community if they will not grant his desires. But the French are so, they still dream of "grandeur" even if they are no longer a great power.

It is realistic to assume that if Giscard is reelected, he will come closer to American views and cooperate more closely with the Reagan administration. He will then have no need for Kremlin sympathies, and less need to impress French voters by assuring them of a "neutral" policy. Deep in his heart Giscard d'Estaing is an admirer and a friend of the Reagan administration. The future of U.S.-French relations clearly depends heavily on the outcome of the forthcoming French elections.

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BOOK REVIEWS

JAMES T. BENNETT and MANUEL H. JOHNSON
Better Government at Half the Price
Caroline House Publishers, Inc., Ottawa, Illinois, 1981, $5.95

Bennett and Johnson's book is a significant contribution to the current debate about the role of government in contemporary American society. In recent years, even a casual observer must be aware of the rapid and dangerous expansion of government at all levels and the increasing intrusion of the public sector into virtually every aspect of social, political, and economic life. Although government has assumed a much greater role in national activities, little progress seems to have been made in solving national problems. On the contrary, government often appears to exacerbate them. Frustration with government has produced an active movement to limit spending, balance budgets, and cut taxes; alternatively, there are persistent calls for more government regulation and controls. However, every taxpayer, regardless of political persuasion, should be vitally concerned about and interested in the theme of this powerful and persuasive book: Public services can be produced with many fewer tax dollars if the more efficient private sector, instead of wasteful and inefficient government agencies, produces these services.

The argument that taxes can be substantially reduced without affecting either the quality or the quantity of public services is carefully developed and tightly reasoned. First, Bennett and Johnson show that the burden on taxpayers has been growing rapidly, is currently at an all-time high, and must increase further in the future to meet financial commitments made by governments in the past. Not only do taxes take more than one-third of the average worker's income, but also the actions of government (regulations and paperwork requirements) raise the prices of goods and services bought by the consumer so that the total burden of government is even greater. Further, it is pointed out that, although government spending at all levels has skyrocketed, many programs have not been effective: there has been a wide gap between government promises and government performance. Taxpayers have been

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paying more and getting less; it is essential that public services be produced at much lower cost.

Second, the authors explain why government has not been and cannot be an efficient producer. The incentive structure in bureaucracy is perverse in that employees cannot be punished for waste and inefficiency, nor rewarded for cost-cutting. Promotion, salary, and prestige in government are obtained by increasing spending, not by reducing spending. If government programs performed properly and solved problems, the existence of agencies would be threatened as well as the jobs of public employees. Thus, there are rewards for failure, but none for success. In contrast, a private sector firm must produce at the lowest possible cost or competition from other firms (both foreign and domestic) will drive it from the market. Efficiency is essential for survival in the private sector because of competition; by law, government agencies are totally insulated from competitive pressures.

Third, numerous case studies of activities performed by the private sector and by local, state, and federal government are compared with regard to cost. In every case, the private sector markedly outperforms the public sector by producing goods and services for the public at much lower cost. So pervasive is the evidence that the Bureaucratic Rule of Two has been proposed: Transfer of a service from the private to the public sector doubles its costs of production.

Fourth, Bennett and Johnson recognize that the practice of contracting out to the private sector has many critics. They meticulously examine the arguments against private production of public services to show that waste, corruption, contract boondoggles, and the like occur because public employees do not protect the interests of the taxpayer. Therefore, the criticism against contracting out should be directed against the public sector, not the private sector.

Finally, federal procurement policy is examined. Although officially the federal government attempts to encourage the private sector as a producer, evidence and case studies are cited that indicate that this policy is not practiced.

This book provides very timely and important insights into the role and functioning of government at all levels. Moreover, it directly addresses a critical public policy issue: the need to reduce the tax burden on American taxpayers without sacrific-

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ing necessary public services. The clear and unmistakable conclusion drawn from irrefutable evidence that taxes can be cut substantially without adverse effects on public services should be welcomed by all.

William E. Simon

ROBERT BRENT TOPLIN
Freedom and Prejudice: The Legacy of Slavery in the United States and Brazil.
Greenwood Press, Westport, Connecticut, 1981, $23.95

In 1860 more than four million black persons were held in slavery in the United States and nearly two million in Brazil. No other nation of the Americas came close to matching these totals. The United States and Brazil also had the most extensive abolitionist campaigns in the hemisphere — tense political crusades that developed amidst great controversy and eventually led to the abrupt resolution of the slavery problem. U.S. abolition took place in 1865 after a bloody civil war; in Brazil it occurred in 1888 following years of political and social unrest. These historical parallels make the two societies especially suited for a comparative study of slavery and its legacy.

Freedom and Prejudice is a wide-ranging and thoughtful discussion of the background to modern-day race relations in the United States and Brazil. Beginning his study in the nineteenth century, Robert Brent Toplin analyzes the changing attitudes towards blacks. He notes the hardening of racial thought in both countries and the differing Brazilian and American attitudes toward mulattoes.

Interestingly, the author concludes that "America has edged toward the Brazilian 'ideal' in race relations," seen by many to represent the emergence of a new "cosmic race" of multi-hybrid origin. However, he also is of the opinion that "the myth of 'racial paradise' in Brazil is gradually losing credibility," and that instead of a "racial democracy" in Brazil, forms of "racial prejudice" appear to be much more subtle and complex in Brazilian society: "a long list of examples illustrate the prevalence of discrimination in (Brazilian) schools, hotels, theatres, factories, the medical profession, the military, and even Brazil's Foreign Ministry." Not only is race stratification persistent in Brazil under the guise of class, but even the

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multitude of Brazilian mulattoes look down upon the "black masses" as belonging to a separate and inferior class. Indeed, the situation of the negro in Brazil has deteriorated to the level that Brazil lacks the assertive negro self-identification and ethnic consciousness which has become such a powerful political force in the United States.

The author concludes that the problems of color prejudice and class prejudice in the two societies are related. In short, he believes, there is no likelihood of eliminating "racial prejudice" in multiracial societies except by the creation of a totally equalitarian and classless social system! In short he offers us no alternative to the problem of racial tension but to choose between total apartheid or total socialism: a somewhat surprising conclusion but one which the author, at least, has firmly espoused.

DONALD LAMBRO
Fat City: How Washington Wastes Your Taxes..
Regnery/Gateway, South Bend, Ind., 1980.

Author Donald Lambro contends that over $100 billion of the U.S. taxpayers' money is wasted each year. This claim he proceeds to support with data and statistics.

Prime among the causes are the government programs which have outlined their usefulness, but which continue to be funded year after year, because of administrative inertia and the overwhelming pressure of time upon the legislators who are unable to analyze in detail the legislation and budgets which they approve. An example: the $1.2 million Office of Small-Pox Eradication, whose own officials have suggested closure – or at least cut-backs – because there has only been one case of smallpox in the USA since 1947. Another instance: $400,000 spent by the Franklin Delano Roosevelt Memorial Commission since 1955, without reaching any decision as to the most suitable memorial for that deceased President.

Beyond wasteful or purposeless programs, Lambro cites $140 billion in bad debts written off, and $3 billion in government travel with over 20,000 bureaucrats in the air at any given time!

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